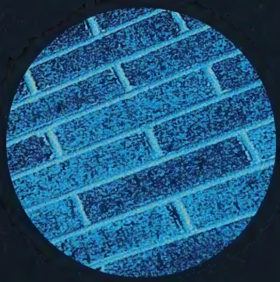
Jannock Limited

1997 Annual Report

THE *Vinyl* GROUP

THE METAL GROUP



THE BRICK GROUP

CONTENTS

CURRENCY

All currency amounts are expressed in Canadian dollars unless otherwise indicated. US revenues and expenses have been translated using the average rate of exchange for the month in which the transactions occurred. The average rate for the year was US $1.00 = Cdn $1.38.

This document contains forward looking statements with respect to Jannock Limited and its subsidiaries. By their nature, forward looking statements involve risks and uncertainties that could cause actual results to differ materially from those contemplated by the forward looking statements. These risks and uncertainties include general economic conditions, commodity prices and competitive developments affecting the building products industry, as well as other risks detailed from time to time in reports and disclosure documents filed by Jannock Limited with securities commissions in Canada and the United States, and which are available to the public. For additional information on risks, see pages 55 and 56 of Management's Discussion and Analysis in this Report.

Jannock Limited

1997 Annual Report

ABOUT THIS REPORT

Jannock Limited has, over the past 8 years, grown to become one of North America's largest providers of building products. Decentralization is the key to this achievement. Jannock's three Business Groups – Vinyl, Metal and Brick – are all encouraged to develop their own strategies and manage their own assets and operations within the Jannock corporate guidelines. To better assist you in understanding this structure, the Groups have each prepared separate operations reports. Their reports are preceded by a brief consolidated review of 1997 and followed by a fourth report in which the Group results have been incorporated into a discussion of the entire Jannock organization.

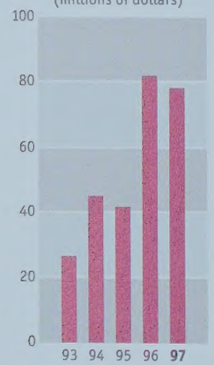
1997 in Review

CORPORATE HIGHLIGHTS

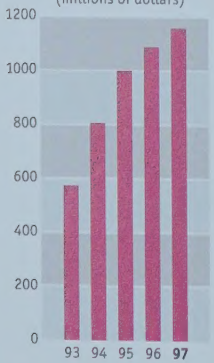
OPERATING AND FINANCIAL DATA

OPERATING As at December 31 (millions of dollars, except per share amounts)	**1997**	1996
Sales	**1,154.3**	1,084.3
Net earnings	**44.5**	50.7
Earnings per Common share ($)		
Continuing operations	**1.35**	1.43
Net earnings	**1.44**	1.65
Cash flow from operations	**58.6**	95.5
KEY RATIOS For the years ended December 31	**1997**	1996
Operating margin before Unusual items and Property development (%)	**6.0**	7.2
Current ratio	**1.9:1**	1.9:1
Net debt to total capitalization (%)	**40**	32
Return on Common shareholders' equity (%)	**12.8**	16.4
FINANCIAL POSITION As at December 31 (millions of dollars, except per share amounts)	**1997**	1996
Total assets	**859.5**	733.3
Working capital	**166.3**	190.7
Shareholders' equity	**378.3**	343.3
Book value per Common share ($)	**12.07**	10.92

Operating Earnings
(millions of dollars)



Sales
(millions of dollars)



SIGNIFICANT EVENTS

- In March, we sold Pacific Westeel.
- In April, we acquired Holt Culvert & Metal Products Limited, a manufacturer of highway drainage products, culverts and metal highway signs.
- In April, we purchased Survivor Technologies, Inc., a leading manufacturer of vinyl windows and doors.
- In April, we concluded the sale of our 50% interest in Ferrum Inc.
- In May, we acquired Tolbec Inc., a manufacturer of roofing and siding products.
- In October, we suspended operations at our Master Shield plant in Ontario.
- In November, Jenisys received $24.2 million as its share of a pension fund surplus.
- In December, we acquired Associated Building Systems, Inc., a manufacturer of pre-engineered building systems. This acquisition was the largest in Jannock's history.
- In January 1998, we purchased Big 'O' Inc. a Canadian-based manufacturer of plastic drainage pipe for the agricultural and infrastructure markets.

REVIEW OF OPERATIONS

In 1997, our consolidated sales were $1.2 billion, an increase of 6.5% over 1996. Metal Group sales were up 11.9% to $530.5 million, Brick Group sales increased 13.7% to $268.2 million, while Vinyl Group sales were flat at $355.6 million, compared with $356.7 million in 1996.

Consolidated operating earnings declined in 1997, by 4.5% to $78.2 million, largely due to significantly lower earnings performance from the Vinyl Group. Vinyl Group's operating earnings, before unusual items, in 1997 were $8.3 million, a decrease of 72.2% from the previous year. Brick Group achieved a 41.9% increase to $39.3 million, and Metal Group's operating earnings were about the same as in the previous year, at $30.4 million, compared with $30.3 million in 1996.

In addition, an unusual items gain of $9.7 million is included in our 1997 operating earnings. This amount mainly reflects the following: a $15.3 million contribution the company received after negotiating the sharing of a pension fund surplus with certain Metal Group employees; and charges of $6.5 million which the Vinyl Group incurred in suspending its Canadian operations.

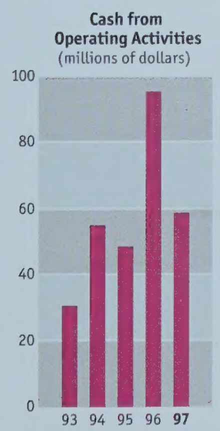
Operating margins, before unusual items and property development, were 6.0% compared with 7.2% in 1996.

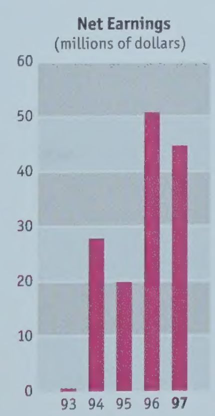
Our net earnings were $44.5 million, a decrease of 12.2% from the previous year. This resulted in net earnings per Common share of $1.44, compared to $1.65 in 1996.

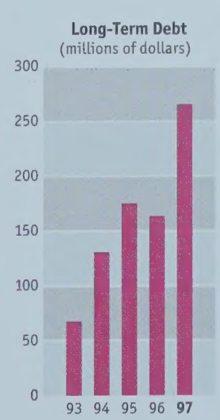
FINANCIAL REVIEW

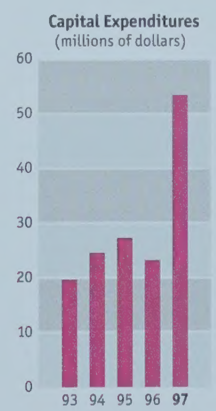
Our total identifiable assets increased 17.2%, to $859.5 million in 1997, reflecting growth in all three business groups. Metal Group assets grew by 94.9%, primarily due to acquisitions, particularly Associated Building Systems, Inc. in the United States. At December 31, 1997, total net debt increased by $95.3 million, due to the Associated Building Systems acquisition. As a result, net debt represented 40% of our total capital at the year-end, compared with 32% in 1996.

Total capital spending, including the cost of acquisitions, was $228.7 million, compared with $58.1 million in 1996. Working capital, at December 31, 1997, was $166.3 million, a decrease of $24.4 million compared with the previous year. Shareholders' equity increased 10.2% to $378.3 million. Return on Common shareholders' equity was 12.8%.





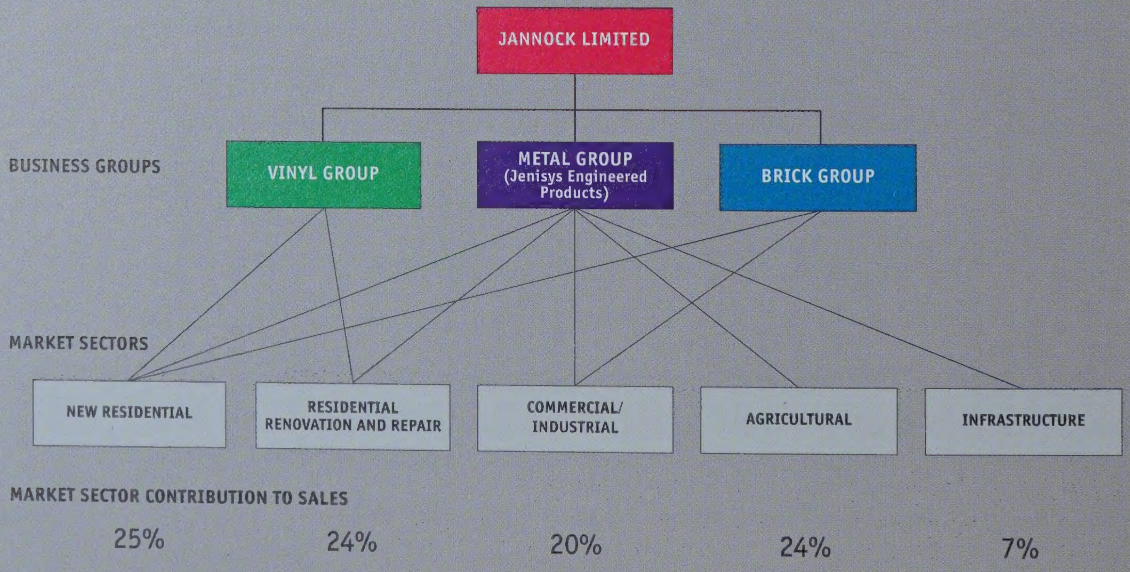




CORPORATE PROFILE

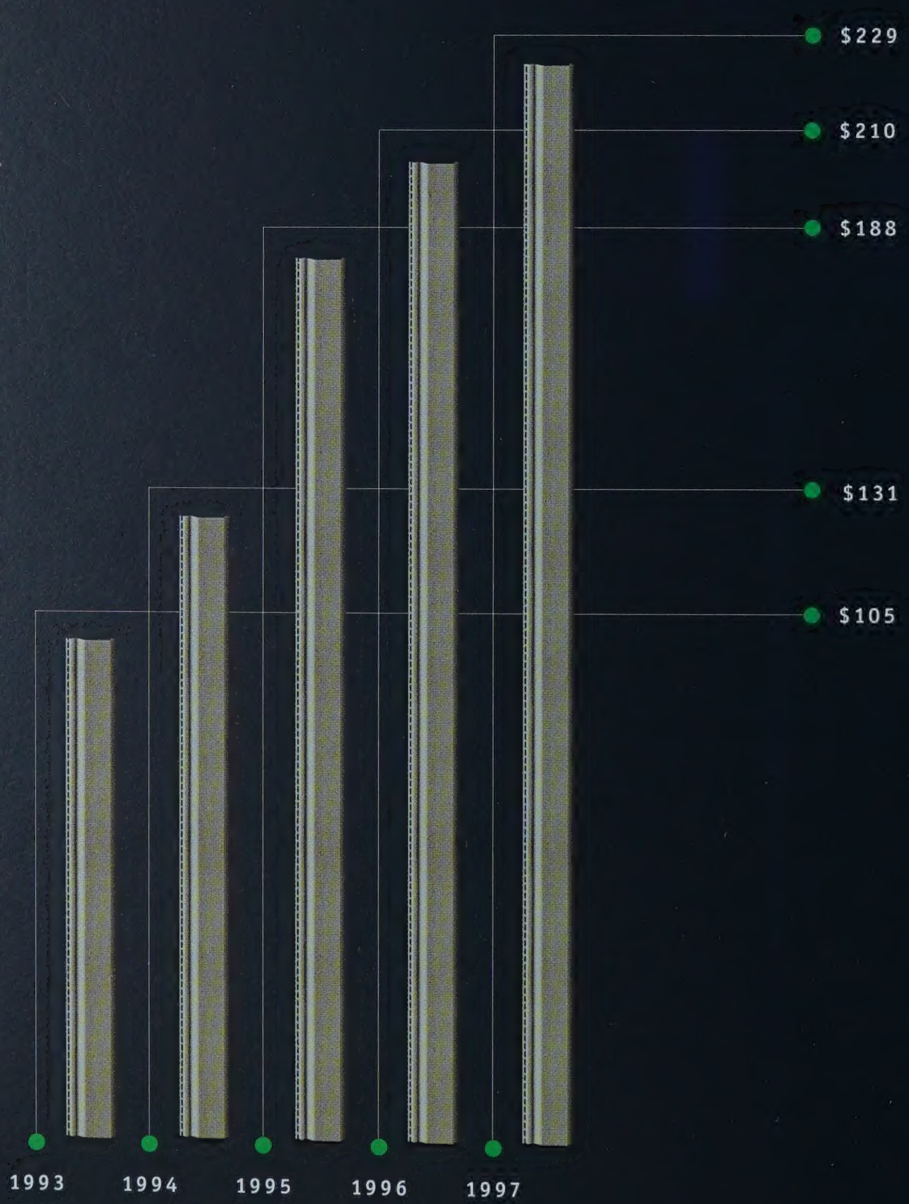
Jannock Limited manufactures and distributes building products for the construction industry throughout North America. The Company's three Business Groups–Vinyl, Metal and Brick–serve the New Residential, Residential Renovation and Repair, Commercial/Industrial, Agricultural, and Infrastructure sectors. Recognizing that construction is a highly cyclical industry, Jannock's strategy is to manage its capital in a manner which retains value during economic downturns and supports significant growth during periods of strength. The Corporation actively seeks opportunities for both internal expansion and strategic acquisitions. At the same time, investments must be consistent with Jannock's conservative approach to funding its development in North American and international markets. Jannock believes that social, environmental and ethical responsibility are essential factors in building long-term shareholder value. Jannock also believes that providing employees with empowerment, and a wide range of opportunities for personal development, is fundamental to enduring business success.

ORGANIZATION




THE
Vinyl
GROUP

VINYL GROUP IDENTIFIABLE ASSETS
(millions of Canadian dollars)



"We expect demand for vinyl fencing, decking and windows to continue to soar."

Our Vinyl Group, headquartered in Pittsburgh, Pennsylvania is among North America's largest suppliers of vinyl siding, fencing, windows and accessories to the construction industry. While the Vinyl Group's products have historically been used primarily in the Residential Renovation and Repair sector, it is now also a growing presence in the New Residential sector. With the purchase of Survivor Technologies, Inc., a major supplier of vinyl windows and doors, the Group has secured a strong position in the retail and wholesale distribution channels for these high-demand fabricated products.

PRESIDENT'S MESSAGE

During 1997, the Vinyl Group clearly established itself as a major participant in two distinct businesses: siding and fabricated products. Siding was the product platform on which the Vinyl Group was originally built. Over the past several years, however, we have made major investments in businesses that manufacture vinyl windows, doors, fencing and decking – all of which are growing at a rapid pace. In fact, during 1997, sales for fabricated products increased 118% to $103 million, and now represent 29% of total vinyl sales.

Our vinyl siding business, however, experienced a difficult year, as a result of several factors. Consolidation within the industry took place at a much more aggressive rate than forecast, resulting in increased overcapacity. We had anticipated this overcapacity as far back as 1996 and had begun to rationalize our siding businesses at that time. Our 1997 closure of our Ontario plant was an extension of that process. It was necessary because the increased consolidation had resulted in our loss of several important customers, which were acquired by a major competitor seeking to achieve an influential position within the national distribution channels for vinyl siding. Another of our largest customers became the subject of bankruptcy proceedings. As a result, the Group was experiencing a decline in operating performance.

We recognize that to remain competitive in an industry that is susceptible to overcapacity, the vinyl siding portion of the company needs to operate at a lower cost base when volumes return. We are strengthening our management team by bringing in individuals with experience in related industries. We believe their exposure to the use of other plastic materials in the manufacturing of fabricated goods, as well as their broad-ranging skills and technical expertise, will add depth and insight to our management decision-making. They have already taken, and will continue to take, additional action to reduce our costs.

On a strong positive note, we expect demand for vinyl fencing, decking and windows to continue to soar. We intend to meet it with a range of quality products and accessories at very competitive prices. We are bullish about our fabricated products business and confident of our ability to rebuild siding revenues. For these reasons, we expect 1998 to be a year of renewal and heightened opportunity for the entire Group.

Sincerely,

Norman W. Johnston

NORMAN W. JOHNSTON
President

1997 IN REVIEW

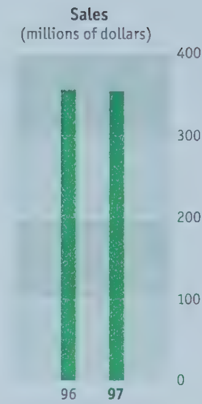
OPERATING

Group sales were $355.6 million in 1997, a 0.3% decline from the previous year. Siding shipments declined by 13%, to 4.4 million squares, due to sector overcapacity, customer bankruptcies and acquisitions by competitors.

Sales volumes of fabricated vinyl products, however, increased significantly, with vinyl window shipments up 244% to 420,000 units and fence and deck shipments increasing 42% to 26.8 million pounds.

Group sales in the United States increased by 6.0%, to $334.4 million in 1997. With the close of our Ontario plant, Canadian sales fell 48% to $21.2 million.

Operating earnings, before unusual items, decreased 72.2% to $8.3 million, compared with $29.9 million the previous year. The reduction was due to lower demand and more competitive pricing for vinyl siding, as well as to operating problems and construction delays in some of our plants in the southern United States. Survivor Technologies, acquired in April, performed strongly and helped to offset declines in other parts of the Group.

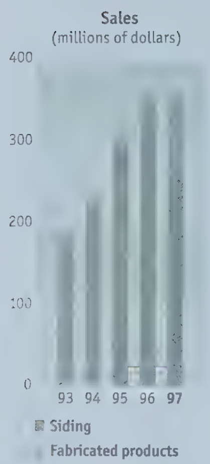


SIGNIFICANT EVENTS

- In January, a key customer of Bird Vinyl Products and Kensington Windows filed for bankruptcy.
- In April, we purchased Survivor Technologies, a major supplier of vinyl windows and doors, for $35.8 million. This acquisition was designed to give us a stronger retail and wholesale presence in the fabricated products segment.
- Throughout the spring, record rainfalls disrupted the consolidation of the Armor Bond operations with Bird.
- In October, our Master Shield vinyl production plant in Mississauga, Ontario suspended operations.
- New presidents were appointed at Bird Vinyl Products and Outdoor Technologies during the second half of 1997.
- In February 1998, Norman W. Johnston, a senior executive with extensive experience in the plastics, building and automotive sectors, was appointed President of the Vinyl Group.

From the time of our entry into the vinyl business in 1989, we have recognized that marketing a basic product like vinyl siding, which is sold in high volumes to a limited number of large customers, could make us vulnerable to major fluctuations in price and demand. Although the siding business provided the platform for our growth into one of the largest vinyl producers in North America, we knew that a second focus was needed.

Three years ago, we began a concentrated effort to build a complementary product platform: fabricated vinyl products. Our first investment was in the window business. Viewed together, the operations of Survivor Technologies and Kensington Windows now place us among the top ten vinyl window producers in North America. In 1996, we purchased Heritage Vinyl Products, since renamed Outdoor Technologies, a producer of vinyl fencing and decking. We now offer the broadest range of residential fences, deck and garden accessory products in the industry. Fabricated products, including vinyl windows, doors, and fencing, made up 29% of our 1997 sales volume and will grow in 1998.



By becoming active participants in both the siding and fabricated products segments of the vinyl business, we have achieved a new balance in our Group operations. This balance enables us to manage the impact of external forces much better than we would be able to do if we relied on only one segment.

We intend to continue growing the fabricated products share of group sales in 1998. Our objective is to become the preferred vinyl window supplier to retail and wholesale distributors throughout North America, and to actively grow our share of the decking and fencing business. We are redesigning many of our product components so that they are compatible with the multitude of different models and types of products manufactured by our operating companies.

We also continue to recognize the importance of vinyl siding to our future growth. The average home in the United States is now more than 30 years old, and the situation in Canada is similar. With homeowners looking for attractive, durable and low-maintenance products for their exterior renovations, we believe that demand in the Residential Renovation and Repair sector will grow significantly over the next decade. Vinyl siding currently accounts for about 90% of the cladding used in this sector. We currently hold an 11% share of the vinyl siding market.

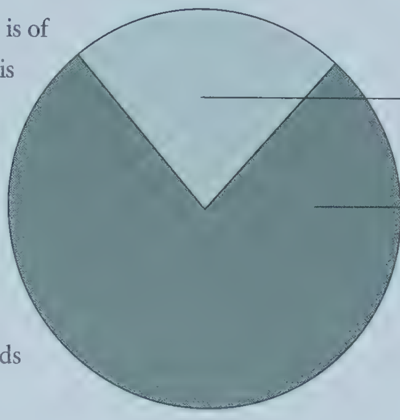
We are located in key renovation markets throughout North America, serving them with state-of-the-art manufacturing facilities. We have been lowering our cost base through internal rationalization, reducing capacity and consolidating our supplier relationships, while negotiating more favourable long-term contracts that take better advantage of our group buying power.

We are now well positioned to provide consumers with a range of products that will meet their needs in a cost-effective and convenient way. We are confident that these strategies will enable us both to rebuild margins in our siding businesses and to generate new earnings growth.

THE MARKETS

The Residential Renovation and Repair construction sector is of a size in excess of US $130 billion in North America. This is the primary market sector for our products. The Vinyl Group has an estimated 11% share of the United States vinyl siding market and exports to Canada as well.

Throughout the 1990s, vinyl has achieved significant growth, in contrast to alternative siding materials, such as wood and aluminum, that continue to lose market share. In fact, vinyl siding is now making major in-roads into the New Residential construction sector.



Market research indicates that many owners of older homes intend to upgrade or enlarge their existing homes, rather than moving to new homes. Most of them will choose low-maintenance vinyl products, such as siding, decking, fencing, and windows, when replacement is required. We are well positioned, geographically and in terms of production capacity, to meet this expected growth in market demand.

THE PRODUCTS

We are approaching today's marketplace from two product platforms: first, as a producer of basic vinyl siding; and second, as a manufacturer and marketer of fabricated products, such as vinyl windows, doors, decking and fencing.

As well as being durable and virtually maintenance-free, vinyl siding is a low-cost choice when its life span and maintenance costs are compared to alternative materials.

On the fabricated products side, the need to reduce energy costs is causing many homeowners to choose vinyl products, either for their original installations, or as replacements for their existing windows. We are responding to this demand by developing and marketing a range of high-performance, energy-efficient window products. We maintain a research and development facility to explore innovative materials and concepts that can be incorporated into our existing products. In addition, we work closely with installers and raw material vendors to develop products that meet their needs and respond precisely to market demand.

HEARTLAND BUILDING PRODUCTS

Based in Booneville, Mississippi, Heartland Building Products produces premium-quality vinyl siding and accessories that are marketed through independent distributors.

MASTER SHIELD BUILDING PRODUCTS

From its head office and home plant in Weatherford, Texas, Master Shield markets a broad line of exterior siding products to private-label customers and independent distributors.

BIRD VINYL PRODUCTS

From its recently upgraded facility in Bardstown, Kentucky, Bird Vinyl Products manufactures the Bird and Armor Bond lines of vinyl siding and accessories. These products are marketed primarily through independent distributors, retail distributors, building-products dealers and lumberyards in the eastern United States.

OUTDOOR TECHNOLOGIES

Outdoor Technologies offers the most extensive product line in the residential fence, deck and garden accessories business. It operates an integrated blending, extruding and fabricating plant in Macon, Mississippi.

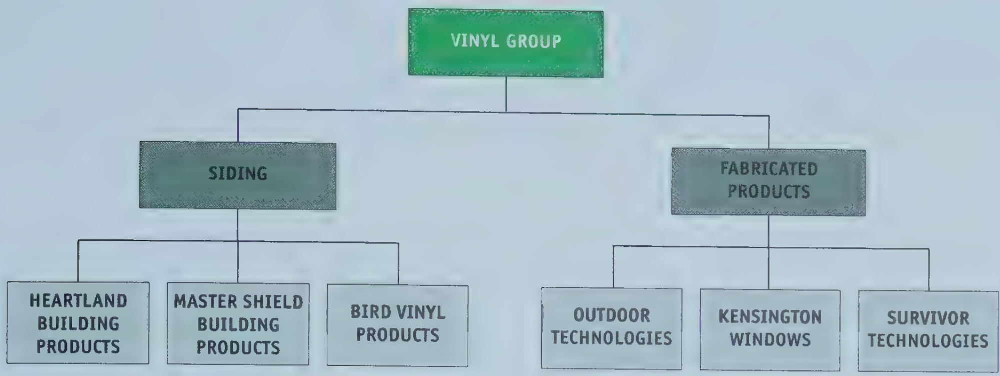
KENSINGTON WINDOWS

Kensington Windows serves the contractor/installer market with a range of high-performance replacement windows. At its plant in Vandergrift, Pennsylvania, it produces fully welded vinyl windows for the entire North American market.

SURVIVOR TECHNOLOGIES

Acquired in April 1997, Survivor Technologies began to make an immediate contribution to the Vinyl Group's earnings. Headquartered in Hillside, New Jersey, Survivor Technologies is a major supplier of windows and doors to markets in the northeastern and midwestern United States. It operates production facilities in Hillside and Leon, Iowa.

BUSINESS STRUCTURE



LOCATIONS

The Vinyl Group operates seven vinyl plants in the United States.

OUTLOOK

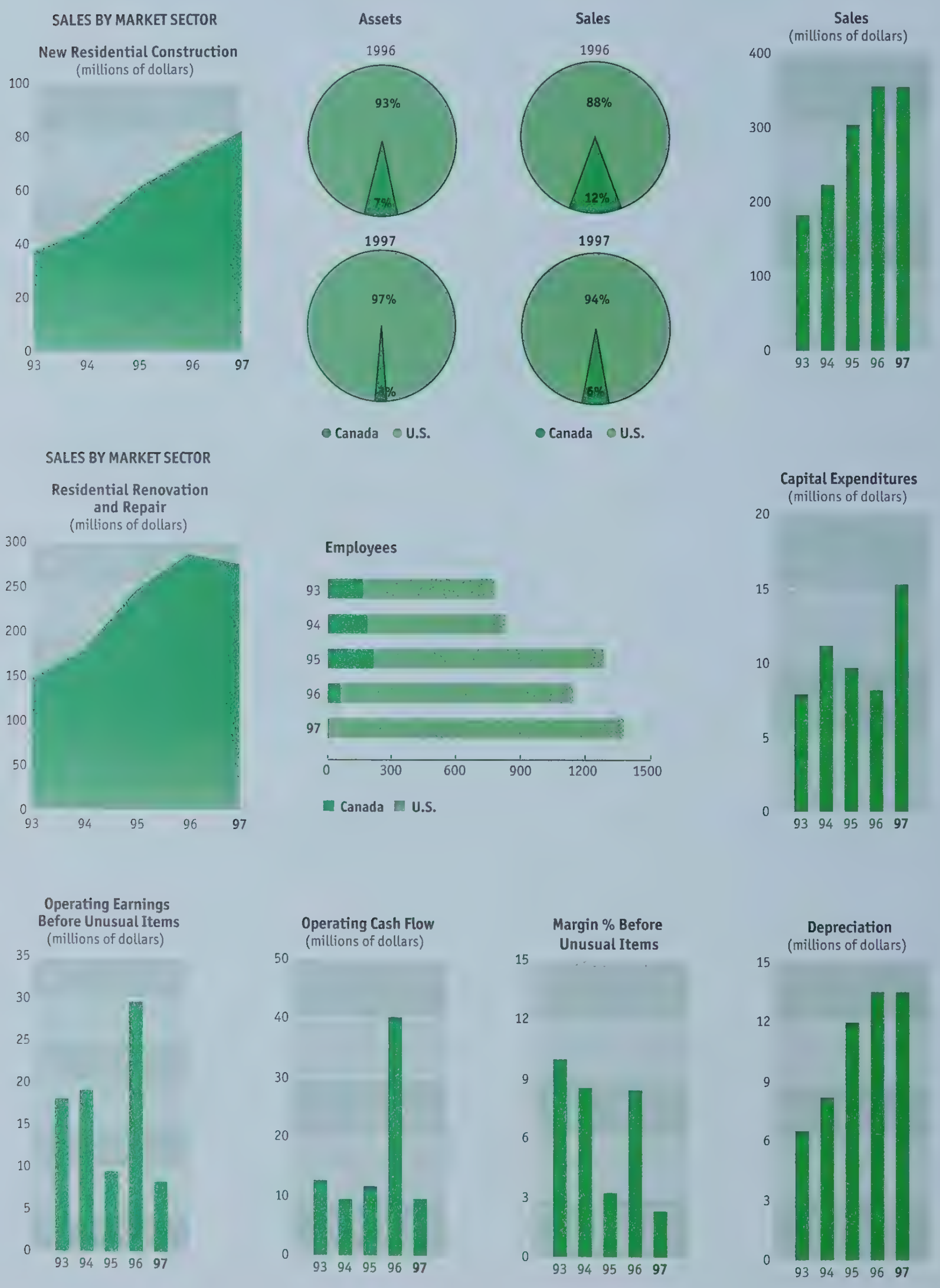
Despite temporary setbacks in 1997, we believe that the Vinyl Group will soon resume its historical role as a major contributor to Jannock's earnings. The Group is proving itself to be a trustworthy supplier of basic and fabricated products that meet the standards and expectations of the construction industry in North America.

We do not expect major sales growth from our siding businesses in 1998. We have, however, made excellent headway in lowering our cost structure and expect this effort to result in much improved earnings from our siding operations. Our fabricated products businesses are prepared for continued intense market demand and we expect to see a continuation of the high revenue growth that we have been experiencing over the past two years. We also expect to see substantial earnings contribution from our fabricated products businesses in 1998.

Through continued careful management of our cost base and growth through selective acquisitions, we believe that the Vinyl Group will become an increasingly important participant in both the Residential Renovation and Repair and New Residential sectors of the construction industry.

OPERATING AND FINANCIAL DATA

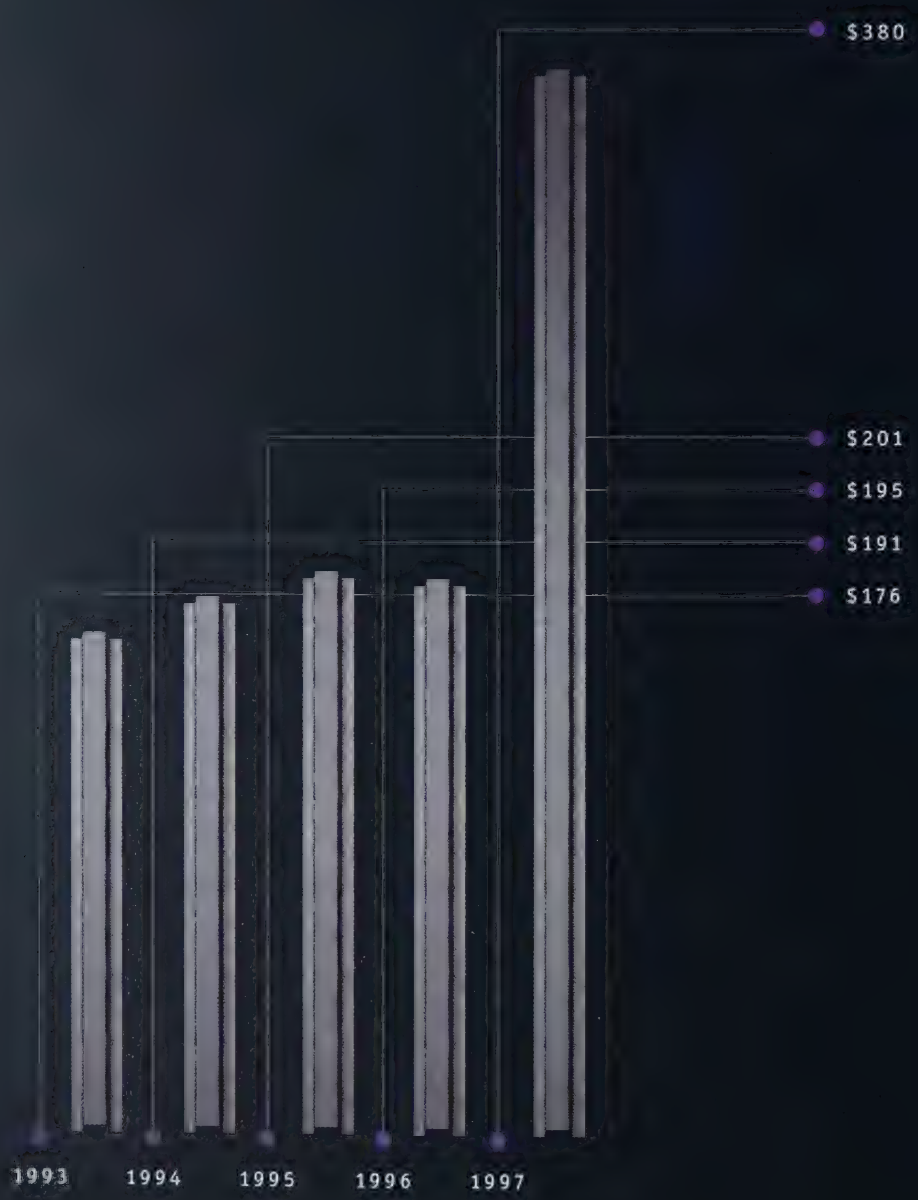
The following charts provide an overview of the financial and operating performance of the Vinyl Group relative to past years' performances.




THE
METAL
GROUP

UP IDENTIFIABLE ASSETS

nadian dollars)



"I am proud of the achievements of our team in 1997 in establishing an expanded foundation for profitable future growth."

BUSINESS PROFILE

With the sale of our 50% interest in Ferrum Inc. in April, our Metal Group now consists solely of Jenisys Engineered Products, with headquarters in Oakville, Ontario. Jenisys provides a wide range of engineered products and services to the North American construction industry. Jenisys is Canada's largest producer of metal construction products and is now an industry leader in the United States. During 1997, Jenisys acquired new product capabilities through the acquisition of other well-managed and profitable companies serving complementary market sectors. At the year-end, Jenisys operated 34 plants in Canada and 13 in the United States.

I am proud of the achievements of our team in 1997 in establishing an expanded foundation for profitable future growth. In December, our efforts culminated in our largest acquisition ever, Associated Building Systems, Inc. Associated Building Systems is the sixth largest manufacturer of metal building and roofing systems in the United States. It serves the low-rise segment of the Commercial/Industrial sector, which currently spends about US $2.3 billion annually on metal building systems. Its market share is nearly 6% and it is also gaining penetration in the growing retrofit segment, primarily with its roofing systems. We expect Associated Building Systems to contribute higher operating margins, as well as about $200 million to Jenisys' sales in 1998. Associated Building Systems expands our operations in the United States, introduces a more highly engineered product line to the organization, and adds critical mass and new distribution channels. It is a strong strategic fit with Jenisys and provides us with a new platform for growth.

Also strategically important was our acquisition of Big 'O' Inc. in January 1998. This polyethylene pipe business is complementary to Armtec's steel pipe business and provides growth opportunities through our existing distribution channels. It also offers expansion opportunities outside Canada.

I am not as proud of our earnings in 1997. They did not increase in line with our sales. We expect to resume our record of earnings growth in 1998 through the correction of some temporary market conditions combined with the acquisitions, plant expansions and greenfield start-ups we put in place in 1997.

Our people are committed and innovative. In 1998, I am confident that we will perform in a manner more appropriate to our position as leaders in our market sectors.

Jenisys has made great progress in recent years, and we now have four solid product business platforms, each providing great growth opportunities in the future.

Sincerely,

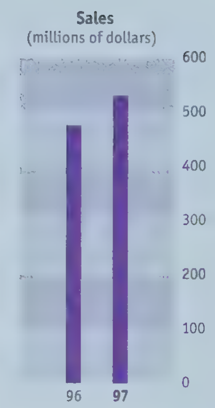
ROBERT H.R. DRYBURGH
President

1997 IN REVIEW

OPERATING

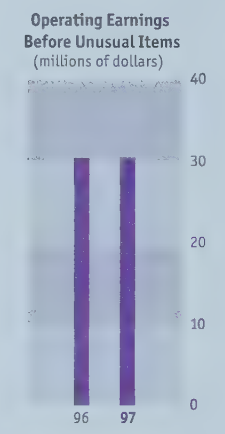
Our sales grew by 11.9 % to $530.5 million in 1997. Canadian sales were up 11.4% to $384.6 million in 1997, while United States sales were $145.9 million, an increase of 13.3% over 1996.

Group earnings were $30.4 million, virtually the same as the previous year. Despite the revenue increase, a slowdown in our grain bin business during the second half of 1997, coupled with costs related to our greenfield investments, and competitive market pressures, which prevented us from recovering the higher prices we paid for steel and other raw materials, resulted in lower margins.



SIGNIFICANT EVENTS

- In March, we sold Pacific Westeel to achieve a closer focus on our core strategy.
- In April, we acquired Holt Culvert & Metal Products Limited for $3.1 million. Holt has operations in Peterborough, Ontario and manufactures products for the Infrastructure sector.
- In May, we acquired the assets of Tolbec Inc. for $4.5 million. Tolbec serves the Agricultural and Commercial/Industrial sectors in Quebec and eastern Ontario.
- In September, we opened the doors on a new 24,000-square-foot plant in Winnipeg for VICWEST.
- VICWEST constructed greenfield facilities in Cedar Falls, Iowa; Wilkes-Barre, Pennsylvania; and Fayetteville, North Carolina. All three will be in operation by the second quarter of 1998.
- In October, a ground-breaking ceremony took place for Westeel's new multi-product facility in Olds, Alberta.
- VICWEST's Dallas facility was upgraded, and new automated equipment installed, to expand service to its commercial market.
- Expansion of VICWEST's Stratford, Ontario plant to increase its product capability in residential markets, was completed.
- In December, we acquired Associated Building Systems, Inc., the United States' sixth largest manufacturer of metal building and roofing systems, for $132.1 million.
- In January 1998, we purchased Big 'O' Inc., a leading manufacturer of high-density polyethylene pipe for the Agricultural and Infrastructure sectors, for $24.0 million.



THE OPERATING STRATEGY

Jenisys' objective is to become the market leader through effective partnerships with customers and suppliers, aggressive new product development, excellent customer service and superior product quality.

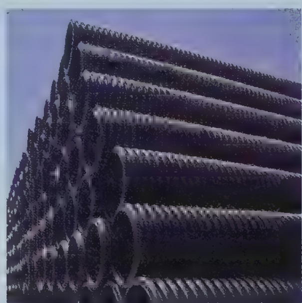
In today's competitive building products environment, size counts. With size comes the ability to build meaningful, long-term relationships with suppliers of basic raw materials. With size also comes the ability to be a significant influence in the distribution channels. The implications of both these factors are more sophisticated production scheduling, better inventory control systems, improved product availability and a range of other issues that can deliver powerful competitive advantages in the marketplace.

Jenisys is currently the largest metal building products company in Canada and a respected participant in United States markets. We have become a significant player in the market sectors we serve, both geographically and in terms of product offerings. Through the purchases of Associated Building Systems, Big 'O' and other strong companies over the past twelve months, we have both strengthened our market sector positions and significantly added to our size.

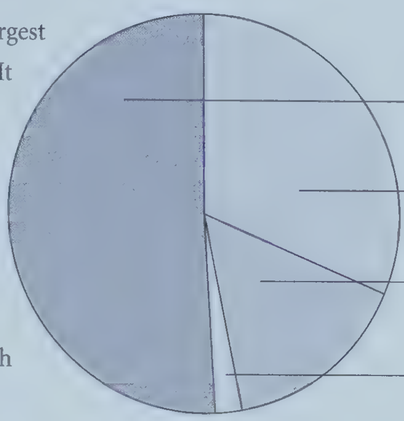
We have also begun to structure ourselves to continue our growth across four fundamental and interrelated business platforms: building components; building systems; infrastructure products; and storage products.

These four platforms all manufacture and deliver standardized components to the marketplace, and they all serve the growing demand for custom engineered products and services. They serve the Commercial/Industrial, Agricultural, Infrastructure and Residential market sectors.

Collectively, they provide Jenisys with the size and the leverage to be a leader in product development, customer service and product excellence.



THE MARKETS



Jenisys Engineered Products is one of North America's largest providers of metal components and building systems. It serves five primary market sectors in the construction industry:

- Agricultural, a sector that accounts for about half of our total sales;
- Commercial/Industrial, a sector that accounts for about one-third of sales;
- Infrastructure, a sector that accounts for about one-seventh of sales; and
- New Residential and Residential Renovation and Repair are two sectors that represent exciting, and largely undeveloped, markets for metal-based roofing, siding and other construction materials.

This diversification is the result of a strategy of seeking out markets which are impacted by different economic drivers. The performance of the Agricultural sector, for example, is determined by different economic and market factors largely unrelated to those impacting on Infrastructure.

In Canada, we have long been the largest supplier of metal products to the construction industry, and the only company in the industry with national reach. With the acquisition of Associated Building Systems we have also made significant advances towards becoming a national player in the United States market.

In addition to the prospect of providing increased earnings, the new balance we achieved this year will act to cushion the effects of downturns in regional economies in both the United States and Canada as they occur.

THE PRODUCTS

In recent years, we have gained an international reputation for the quality and utility of engineered products that we custom design and manufacture to exacting customer requirements. Our engineers and technical staff work with the customer's designers, engineers and architects to provide specific solutions, on a project-by-project basis.

For the Infrastructure sector, we provide sluice gates for sewage treatment plants, culverts and retaining walls for highway construction, and a wide range of other standard and custom products. For the Agricultural sector, we manufacture and market grain bins, storage tanks and cladding for farm and commercial buildings through retail distribution chains. We also engineer and manufacture buildings and systems to meet specific needs of larger customers.

Engineering expertise is becoming an increasingly important factor in winning new business. For this reason, all of our business units within Jenisys have fully-resourced engineering departments that design, produce and install products to meet their customer needs.

THE BUSINESSES

ARMTEC

Armtec provides engineering solutions for heavy construction/civil engineering customers within the Infrastructure sector. Armtec operates sales offices and plants across Canada. The company's major products include corrugated steel pipe, water control gates and accessories, as well as engineered products such as tunnel liner plates, retaining walls, guard rails, multi-plate structures, super-span bridges and metal floor grating. Armtec also distributes a wide range of geosynthetic products.

ASSOCIATED BUILDING SYSTEMS, INC.

Associated Building Systems ranks among the leading pre-engineered metal building companies in the United States. Headquartered in Portland, Tennessee, it offers a value-added engineered product line that has consistently delivered high quality and solid profits over many years. In addition, Associated Building Systems has established a strong dealer network in the western and southeastern states. The company was formed, beginning in 1994, through the acquisition of three pre-engineered building companies operating in different regions of the United States: Gulf States Manufacturers, based in Starkville, Mississippi; Kirby Building Systems, based in Portland, Tennessee; and CBC located in Lathrop, California.

BIG 'O' INC.

Acquired by Jenisys in January, 1998, Big 'O' is Canada's leading producer of high-density polyethylene corrugated pipe for the Agricultural and Infrastructure sectors. In addition, it manufactures the equipment and tooling required to produce high-performance corrugated plastic pipe for North American and offshore markets. Based in Exeter, Ontario, Big 'O' also operates other Ontario plants in Forest, Orangeville, Woodstock and Chesterville.

PG BELL/ENAMELTEC

Based in Georgetown, Ontario, PG Bell supplies architectural systems, manufactured in porcelain enamel, to its customers around the world. It produces panels for the exterior and interior cladding of buildings, as well as for chalk boards and marker boards. In addition to serving the North American market, the company ships its products to China, Hong Kong, Mexico, Singapore, South Africa and Taiwan.

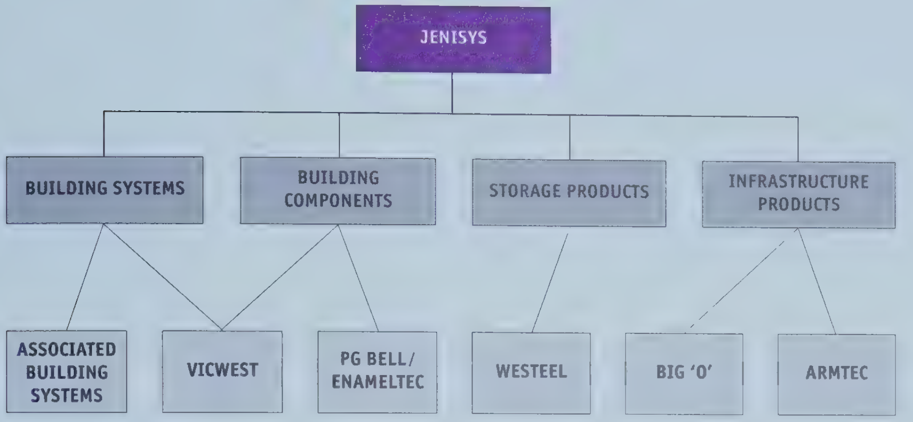
VICWEST

VICWEST provides roll-formed metal building components to the Agricultural and Commercial/Industrial sectors. It manufactures profiled steel and aluminum products, as well as roofing materials. It is Canada's only national company in these sectors. In the United States, VICWEST participates in the Agricultural sector and is a growing presence in the Commercial/Industrial sector in the metal components business.

WESTEEL

Westeel operates five manufacturing plants across western Canada. It also maintains sales and warehouse facilities in Quebec and North Dakota. Its products are used to store cereal grains, seeds, animal feed, granular fertilizer, anhydrous ammonia fertilizer and petroleum products.

BUSINESS STRUCTURE



LOCATIONS

Jenisys conducts operations out of 47 plants: 34 in Canada and 13 in the United States.

OUTLOOK

In the United States, we intend to continue to grow our Agricultural sector business. At the same time, we intend to expand further into the Commercial/Industrial and Residential sectors that have high growth potential for our products. We will also continue to pursue growth in the United States through both acquisitions and greenfield investments.

In recent years, the appeal of metal products manufactured for residential construction has improved greatly, and we expect to see the benefit of this new attractiveness through increased sales to this important market.

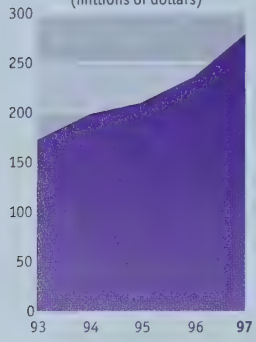
Through our strategy of careful diversification and firm commitment to creating products that deliver real added value to customers, we believe that we are creating an organization that will continue to grow and prosper.

OPERATING AND FINANCIAL DATA

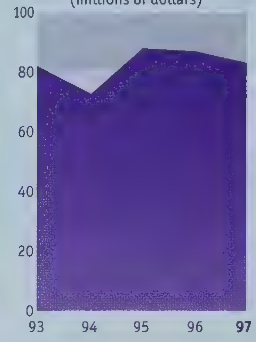
The following charts provide an overview of the financial and operating performance of the Metal Group relative to past years' performances.

SALES BY MARKET SECTOR

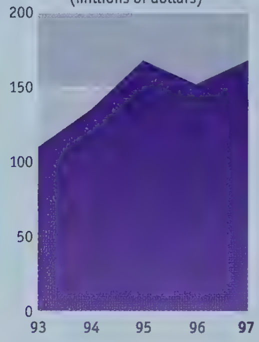
Agricultural Construction
(millions of dollars)



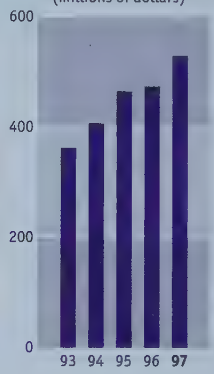
Infrastructure Construction
(millions of dollars)



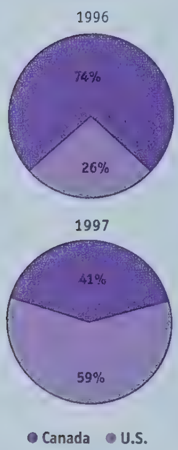
Commercial/Industrial Construction
(millions of dollars)



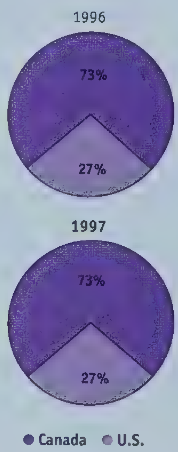
Sales
(millions of dollars)



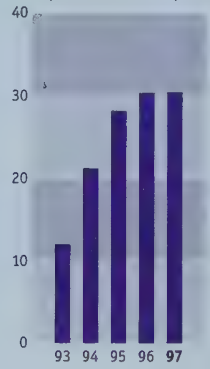
Assets



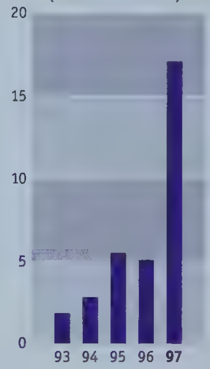
Sales



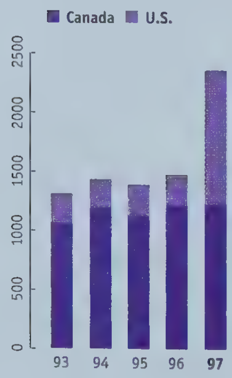
Operating Earnings Before Unusual Items
(millions of dollars)



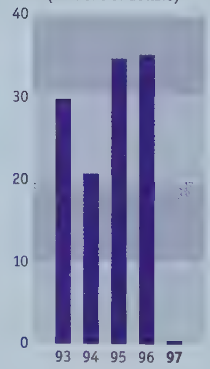
Capital Expenditures
(millions of dollars)



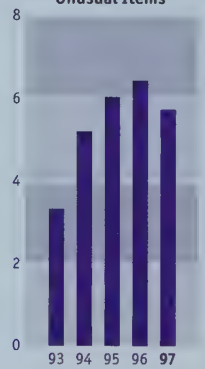
Employees



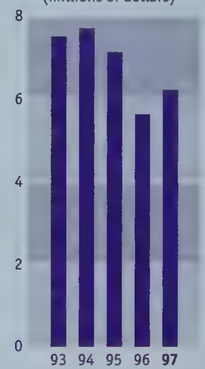
Operating Cash Flow
(millions of dollars)



Margin % Before Unusual Items



Depreciation
(millions of dollars)



Note: 1997 year-end statistics for employees and identifiable assets include amounts for Associated Building Systems, Inc., acquired in December, 1997.


THE
BRICK
GROUP

BRICK GROUP IDENTIFIABLE ASSETS
(millions of Canadian dollars)

"I believe that the Brick Group will continue to be a major source of financial strength and stability for the entire Jannock organization..."

BUSINESS PROFILE

The Brick Group is North America's second largest manufacturer of clay brick. With 5 plants in Canada and 15 in the United States, the Group produces extruded clay brick and other products for the New Residential and Commercial/Industrial construction market sectors. Brick is the preferred building material for external applications in these sectors, which the Group serves with a wide range of sizes, textures and colours. The Brick Group is the leader in Canada and a major competitor in key United States markets.

During our 1997 fiscal year, the Brick Group continued to pursue the strategies of carefully managed growth that have characterized its steady evolution into one of North America's industry leaders. By giving broad autonomy to operating management, we have been able to respond effectively to local circumstances; at the same time, we have maintained the pace of our development as a respected supplier of quality brick products throughout the North American market.

In 1997, we achieved a 42% increase in operating earnings during a year in which housing starts were flat in the United States and up by 20% in the key Ontario and Quebec markets. In Canada, operating earnings increased fivefold, as a result of improved volumes combined with the impact of the restructuring which took place in 1995. In the United States, although the increase in earnings was a less spectacular 12.5%, it followed a record-setting prior year. The overall result was excellent and provided a significant contribution to Jannock's consolidated earnings.

I am confident that the Brick Group will continue to be a major contributor to Jannock's performance in 1998. Housing starts in Ontario and Quebec, the Group's primary Canadian markets, are strong and growing. Housing starts are also strong and stable in the United States markets we serve. The initiatives undertaken during the past three years have had an obvious positive impact on financial performance. At the same time, we are building additional production capability to meet growing demands. For example, our decision in Texas to build a new plant, at a cost of US $16 million, is consistent with our strategy of enhancing our competitive position in markets where growth opportunities for our product are best. I believe that the Brick Group will continue to be a major source of financial strength and stability for the entire Jannock organization as we move into the next millennium.

Sincerely,

VICTOR C. HEPBURN
President

1997 IN REVIEW

OPERATING

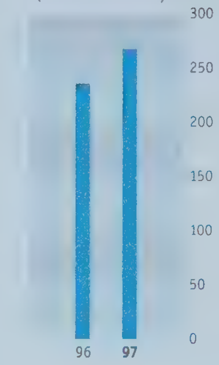
A strong market for new housing, as well as improved cost control resulting from restructuring initiatives first begun in 1995, have resulted in substantially improved profitability in Canada. In addition, increased sales in the United States led to the fourth successive year of record earnings in that country.

Group sales increased by 13.7% to $268.2 million. United States sales were up 7.6%, largely due to improvements in North and South Carolina, while Canadian sales increased 31.9%, to $78.2 million.

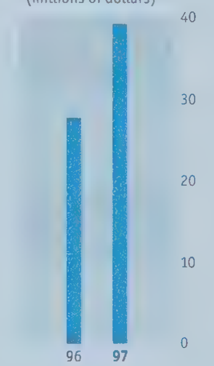
Consolidated shipments increased by 9.1% to 1,163 million bricks. United States shipments were up 1.5% over the previous year, to 820 million bricks, while Canadian shipments increased 32.6%, to 343 million bricks.

Group operating earnings increased 41.9% to $39.3 million. In its Canadian operations, earnings increased 400% to $10.5 million. Operating earnings in the United States were up 12.5% to $28.8 million.

Sales
(millions of dollars)



Operating Earnings
(millions of dollars)



SIGNIFICANT EVENTS

- In August, the Group received regulatory approval to begin construction of a state-of-the-art plant, with the capacity to produce 60 million bricks per year, in Elgin, Texas. This plant is scheduled for completion in early 1999.
- Canada Brick began a major upgrading of its management information systems. This process is scheduled for completion in mid-1998. The upgraded systems will provide management with better information regarding scheduling, production costs and other key aspects of our businesses that will help us to achieve greater financial and operational efficiencies. The company has also consolidated its customer service operations in order to provide improved services to its customers.
- Our St. Laurent division, which serves the Quebec market, had its most successful year since 1987. Much of this achievement was attributable to improved operational efficiency, which led to productivity increases, reduced scrap rates, better responsiveness to customers, and improved inventory control.
- The Group's results in the United States continue to be strong, with the fourth consecutive year of record earnings.
- Our Carolina divisions, Boren and Richtex, both experienced strong performances and have achieved increased levels of integration and service in the southeast United States marketplace.
- Southern Brick, acquired in 1996, was successfully integrated into Richtex.

THE OPERATING STRATEGY

Virtually all of the Brick Group's production capacity is devoted to a single product: extruded clay brick. Because of its heavy unit weight relative to pricing, brick manufacturing is primarily a regional industry. Our challenge then is three-fold: first, to produce a high-quality product that responds to consumer demand at a competitive cost of production; second, to ensure that we have an effective presence in the most promising geographic markets for new residential housing and commercial/industrial construction; and third, to continue to market brick as the preferred building material for external applications.

We constantly strive to reduce operating costs without sacrificing quality, while delivering products in the sizes, textures, shapes and colours that the consumer demands. For this reason, each of our divisions operates regional marketing programs to support their individual growth strategies. The United States divisions are also actively involved in various industry-wide generic marketing programs intended to increase public awareness of brick as a building material that offers both attractiveness and durability to cost-conscious consumers.

Canada has always been a core market for the Brick Group. We ship extruded clay brick into key market areas from our four plants in Ontario and one in Quebec. We entered the United States market 22 years ago by purchasing an existing operation in Michigan. We now own and operate 14 other facilities in Texas, Mississippi, Kentucky, North Carolina and South Carolina. In each of these market areas, we have established a major competitive presence.

We continue to research new breakthroughs in technology to manufacture our products and actively seek out new ways of increasing brick usage. We maintain all of our plants in good operating condition and major renovation programs are undertaken as required.

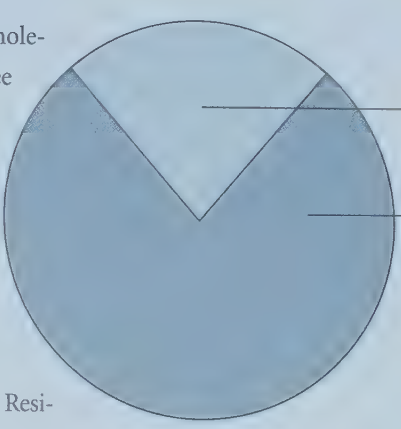
Our plants in the Greater Toronto Area have potential for ultimate real estate development. This has already occurred with a 63-acre site in Mississauga. Another larger site, also in Mississauga, is in the process of development. When shale reserves are depleted and a facility is uneconomical we will evaluate the option of developing that site. In addition, where there are lands surplus to our brick needs we will actively pursue the development of these lands.

To guarantee adequate supplies of our principal raw material, shale, we have ensured that it is supplied primarily from company-owned sources. We have projected that our shale reserves are sufficient to supply our plants in both Canada and the United States for at least the next quarter-century.

We maintain our policy of seeking out new business opportunities in regional markets, which are likely to experience substantial growth in the United States and Canada. The Group is committed to a long-term growth strategy incorporating both expansion from within and selective acquisitions. We intend to build and sustain market leadership in every region in which we compete.

THE MARKETS

Due to the high cost of transporting brick, relative to its wholesale price, products are normally marketed within a three hundred mile radius of the manufacturing plants in which they are produced. Location is therefore a key factor in achieving consistent earnings. As a result, plants are located near major urban centers in several high-use markets, including southern Ontario, Quebec, Texas, North Carolina, South Carolina, Mississippi, Michigan and Kentucky.



From these locations, we serve two market sectors: New Residential construction, which represented about 77% of deliveries in 1997; and Commercial/Industrial construction, which currently accounts for about 23% of deliveries.

By maintaining a clear focus on innovative marketing and production efficiency, as well as carefully considered acquisitions of other well-managed brick manufacturers, we are expanding our market share across North America. We estimate our penetration of the brick market to be about 70% in eastern Canada and 12%, on a national basis, in the United States. In the regional markets of the United States which we serve, we believe our market penetration to be above 20%.

Over the next five years, the Brick Group plans to expand its market share across North America in a controlled and prudent manner. Our core strategy is to achieve and sustain market leadership in each of the regions in which we have established a presence.

THE PRODUCTS

More than 95 percent of our production is extruded clay brick. We also produce limestone brick, in a plant near San Antonio, Texas, exclusively to meet local market demand.

We are constantly developing new products to reflect changing consumer preferences in colors and textures. In recent years, for example, such features as rolled edges and random indentations have proven to be extremely popular with our customers. We have adjusted our marketing and production efforts to accommodate these preferences.

We also distribute a thin-brick wall system that is used in wall panels for both exterior and interior applications. Marketed under the name "U.S. Brick Systems", this product has found increasingly wide acceptance throughout North America and in overseas markets as well.

THE BUSINESSES

BRIQUETERIE ST. LAURENT/CANADA BRICK

Our two Canadian companies, Canada Brick and Briqueterie St. Laurent have achieved outstanding reputations for quality and service, earning approximately a 70% share of the entire eastern Canadian brick market. The Ontario market is served by Canada Brick plants in Mississauga, Burlington and Ottawa. Quebec is supplied by Briqueterie St. Laurent's operating plant at La Prairie.

MICHIGAN BRICK

Michigan Brick enjoys a major competitive advantage because it is the only in-state brick manufacturer serving metropolitan Detroit and nearby regional markets. It maintains long-standing relationships with its customers and is considered to be the preferred supplier in the markets that it serves.

U.S. BRICK, SIPPLE

From its two plants in Kentucky, Sipple markets a wide range of superior products in a highly populated area extending from New York and Boston in the east to Chicago in the west. It markets a range of brick products in a wide variety of sizes and colours to both the Residential and Commercial/Industrial sectors.

BOREN BRICK

Boren Brick focuses primarily on the residential market in North Carolina, which is the largest brick-making state in the United States. It also distributes brick and other building materials through company-owned masonry stores.

RICHTEX

The industry leader in South Carolina, Richtex benefits from the superb quality of shale and other raw materials that are available locally. It has earned a reputation for quality, innovation and range of product that gives the company a distinct advantage over its competitors.

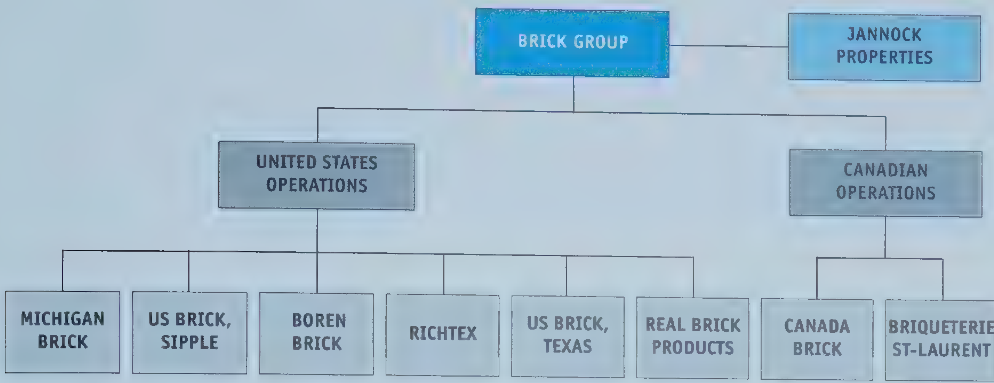
U.S. BRICK, TEXAS

Texas is the largest brick market in the United States. U.S. Brick's plants are strategically located to serve the local markets most likely to achieve significant growth over the next few years. During 1997, the company began construction of a state-of-the-art brick manufacturing facility at Elgin that will ensure it remains a low-cost, high-quality competitor for many years to come.

REAL BRICK PRODUCTS

Real Brick markets an insulated, thin-brick masonry wall system that can be used for interior and exterior applications. This product has found wide acceptance in both the New Residential and Residential Renovation and Repair sectors of the construction industry. Many manufacturers of fireplaces, panels and other products also incorporate Real Brick wall systems into their designs. Real Brick products are distributed in both the United States and overseas markets.

BUSINESS STRUCTURE



LOCATIONS

The Brick Group operates 5 plants in Canada and 15 in the United States.

OUTLOOK

The brick industry is largely dependent on the state of new residential construction. In both Canada and the United States, housing starts are expected to remain strong over the next several years. Interest-rate stability has been achieved and remains at favourable levels. Consumer confidence is strong in both countries. In the United States the last few years have exhibited little of the volatility seen in the 1980's and earlier. The Ontario housing market is now more representative of the underlying demographics than was the case in the first half of this decade.

Although alternative cladding materials, such as vinyl, metal and wood, are growing in popularity within the Residential Renovation and Repair sector, brick remains the consumers' preferred choice in the New Residential sector. It also features strongly in the Commercial/Industrial sectors.

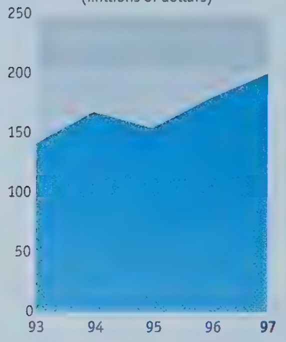
During the coming year, we are confident that the Brick Group will remain competitive in the North American building materials industry, and will continue to be a major contributor to Jannock's earnings.

OPERATING AND FINANCIAL DATA

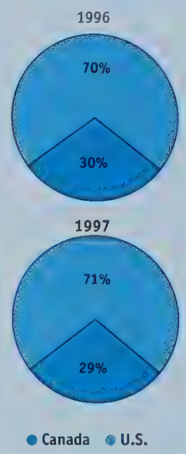
The following charts provide an overview of the financial and operating performance of the Brick Group relative to past years' performances.

SALES BY MARKET SECTOR

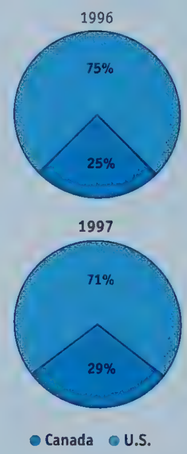
New Residential Construction
(millions of dollars)



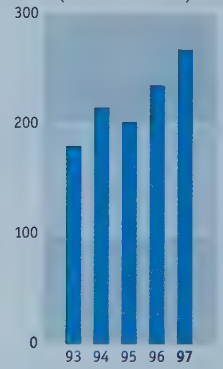
Assets



Sales

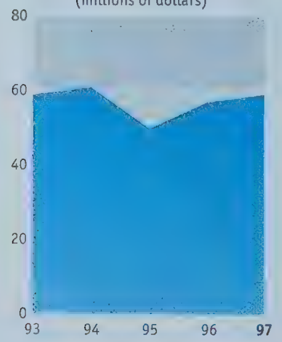


Sales
(millions of dollars)

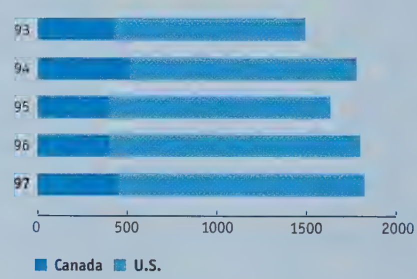


SALES BY MARKET SECTOR

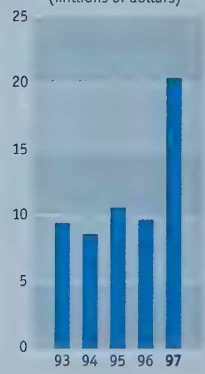
Commercial/Industrial Construction
(millions of dollars)



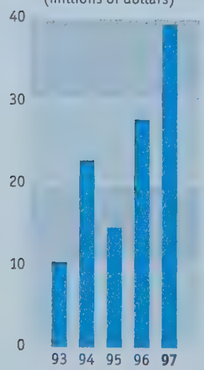
Employees



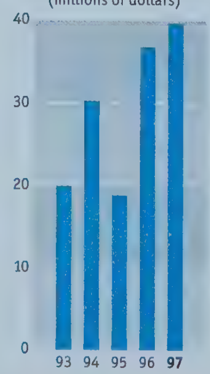
Capital Expenditures
(millions of dollars)



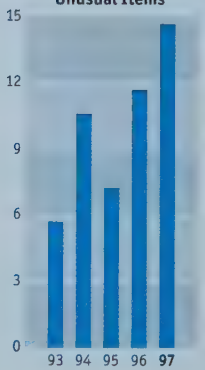
Operating Earnings Before Unusual Items
(millions of dollars)



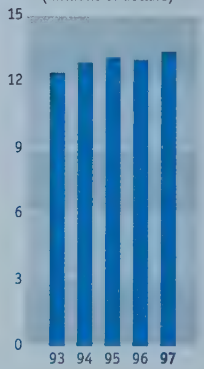
Operating Cash Flow
(millions of dollars)



Margin % Before Unusual Items

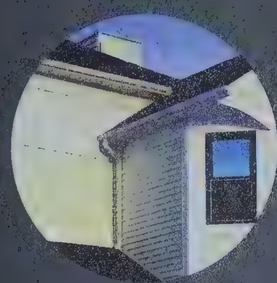


Depreciation
(millions of dollars)

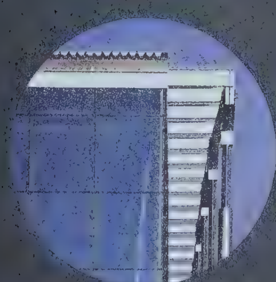


Consolidated Report

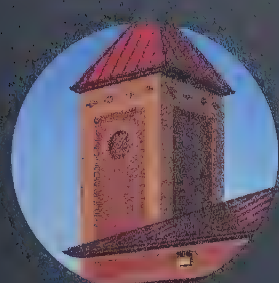
Jannock Limited



THE Vinyl GROUP



THE METAL GROUP



THE BRICK GROUP

	1997 OBJECTIVES	1997 PERFORMANCE	1998 OBJECTIVES
OPERATING EARNINGS	Increase operating earnings from core Vinyl, Metal and Brick operations by at least 10 percent.	Operating earnings from the core operations decreased by 12 percent. This decrease was largely due to a sharp drop in earnings from the Vinyl Group which more than offset higher earnings in the Brick Group. Metal Group earnings were virtually unchanged from 1996.	• Increase operating earnings before unusual items by at least 50%.
FUNDING	Maintain leverage below 35 percent at 1997 year-end.	Leverage at December 31, 1997, was 40 percent, reflecting the purchase, in December, of Associated Building Systems, Inc. If we had not made this acquisition, our leverage at December 31, 1997, would have been 24%.	• Reduce leverage at 1998 year-end to less than 35%.
ACQUISITIONS	Complete at least two strategic acquisitions.	A total of $175.5 million was spent on four major strategic acquisitions that were completed during 1997: • In April, the Vinyl Group acquired Survivor Technologies for $35.8 million to develop its capabilities in the vinyl windows and doors business. • The Metal Group acquired Holt Culvert & Metal Products Limited for $3.1 million, and Tolbec Inc., for $4.5 million, to expand its product range and improve its service capabilities in eastern Ontario and Quebec. • In December, Associated Building Systems, Inc. was purchased for $132.1 million to complement the Metal Group's existing product line.	• Complete at least two strategic acquisitions.
INVESTOR RELATIONS	Expand the investor relations program, begun in 1996, into the United States, with special emphasis on the New York and Boston financial markets.	The investor relations program was upgraded to incorporate improved communications with shareholders and stock analysts. Meetings were held with investment dealers in New York. A corporate fact sheet was placed in targeted industry publications.	• Continue to improve and expand the investor relations program.

THE OPERATIVE WORD HERE IS SIZE.

The rules in our industry are quite simple. **The bigger you get, the more attention you get.** And attention is what we need to have at both the supply and customer ends of our operations.

LET'S START AT THE BEGINNING

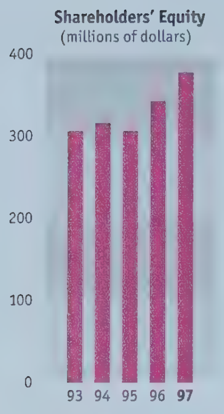
Back in 1990, we made a commitment to you. We said we would build for you a major presence in the North American construction industry. Jannock might not be the biggest, but it would certainly be numbered among the best. That presence requires the achievement of a number of goals: strong customer relationships; product excellence and consistency; engineering superiority; and cost-effective manufacturing, all of which are essential. But, none can be fully achieved without a certain critical mass.

So, we've always known we'd need to be big to *really* be best. We've also known that both the vinyl and metal industry sectors were ripening for consolidation. In 1994, that began to happen. And we used the opportunity to begin building size.

IT SOUNDS EASY

The catch, of course, is to grow without adding overhead and bureaucratic layers. We've been a lean organization and we want to stay that way. How are we doing so far? In 1994, revenues from our existing business were $804 million. In 1998, we expect that they will exceed $1.5 billion. That will be an increase of more than 86% in just four years.

What is it doing for us? We can already see positive results on the way. It is clearly helping us serve our customers better. More sales mean more need for raw materials. Which gives us stronger and more powerful relationships with our suppliers. That power, in turn, allows us to build selection and delivery schedules on a customer by customer basis.



At the same time, more sales mean more ability to utilize our systems and effectively manage lead times, inventory and manufacturing risk. We can provide shorter delivery on a wider range of products with a higher assurance of quality. And we can tie it directly to our customers' inventory control systems. It all adds up to increased and important benefits for our customers.

A large part of this coming year's growth will be attributable to the acquisitions we made during 1997. At year end, we purchased Associated Building Systems, Inc., a pre-engineered building systems business that will be a subsidiary of Jenisys. This is the largest acquisition, to date, in Jannock's history. It was just one of four acquisitions we made in 1997. Those investments plus our acquisition of Big 'O' in January of this year, totalling more than $200 million, are, perhaps, the most visible demonstration of our commitment to achieving critical mass.

The Associated Building Systems acquisition also gave us more debt than we've had for some time and, in fact, took us beyond our comfort zone of 35% of total capital at year end. So, on March 9, 1998 we entered into an underwriting agreement to raise net proceeds of $80.1 million through the sale of 4.1 million Common shares. The proceeds will be used to reduce our level of debt, as well as to give us the flexibility to continue to build size through capital expenditures and acquisitions.

READING BETWEEN THE LINES

This past year, our Vinyl Group sailed into choppy waters. The result was a significant decline in operating earnings, which ultimately impacted on Jannock's bottom line. It is the sales and earnings behind those numbers, though, that I would like to address.

When we first entered the vinyl business in 1990, we did it through acquisition of a number of vinyl siding businesses. We knew at the time that vinyl siding was, by nature, a basic building product and therefore highly vulnerable to external forces. In order to mitigate those risks, we began building a second, more engineered, product platform within the Group. As you may remember, we entered the window business in 1994 and, since then, have acquired a number of additional companies that manufacture our fabricated products. By the end of 1997, fabricated products represented nearly 29% of our total vinyl sales volume. It has been an excellent opportunity for us, with the promise of high growth and a valuable earnings contribution.

THE PENNY EVENTUALLY DROPPED

What happened to vinyl in 1997? The problems were virtually all on the siding side. The industry has been consolidating for the past two years in order to leverage on capacity. Additionally, one of our major competitors decided to enter the distribution field and purchased several of our key customers. Another customer declared bankruptcy. And, to add fuel to this fire, consumer demand slowed visibly during the second half of the year. Our vinyl siding cost structure had been built around continued revenue growth and, when that didn't happen, the impact went quickly to the

bottom line. That situation is being addressed. We have consolidated a number of plants over the last two years, and the Vinyl Group now has new leadership which has been aggressively dealing with its cost structure to ensure that they rebuild profitability in this changed environment.

The point you should focus on, though, is that our vinyl fabricated products business grew by an amount almost equal to the revenue we lost in our siding business. And by next year it should be contributing significantly to group operating earnings, as well.

QUITE A DIFFERENT STORY

The dynamics of our other two business groups are very different. The Brick Group had an exceptional year and increased its operating earnings by 42%. Construction began, early in the year, on a new brick facility in Elgin, Texas. This plant provides further evidence of our commitment to critical mass. The Metal Group made the decision, last year, to carve deeper inroads into the eastern United States markets and in Canada, by investing in five greenfield manufacturing operations. Those greenfield operations will begin generating revenues and earnings in 1998, but they hurt earnings last year.

Three business groups, serving five different market sectors, provide a good demonstration of the value of *balance.*

A CORE STRATEGY

Since 1990, balance has been a core strategy of this company. It is a strategy that we employ in order to minimize the risk inherent in our dependence on the cyclical construction industry. The fact that we manage three distinctively different and decentralized businesses, all of which manufacture and market products for specific industry sectors is, in itself, not sufficient to mitigate the risks. It is the balance we maintain within these businesses, the markets they serve and the products they sell that does the job. For example, the Westeel division of Jenisys experienced a slowdown in sales in the second half of 1997, due to a severe drought in western Canada. This was more than offset by increased sales of brick at the Richtex and Boren divisions in North and South Carolina.

The successes that our three business groups generate do not come easily. Because they are all manufacturers that serve a number of major customers directly, the products they deliver must be of the highest quality and consistency or they would soon lose the loyalty of these customers. They are also, for the most part, in businesses where cost is crucial, and where they generate profitability based on high volumes. So, in addition to that consistency, every nickel of cost counts.

They manage in this complex environment by a "score card" process. Whether it be the number of BTU's required to make a brick, the labour cost in a square of siding, or the throughput on a roll-forming line, virtually every measurable step in every manufacturing process in every one of our businesses is subject to score carding.

Even though the strength of our organization is its decentralized structure, our Head Office constantly monitors operational effectiveness. In that way, we can work with the business groups to develop competitive-edge strategies.

SEVERAL NEW FACES

We alluded earlier to increasing the management strength of our Vinyl businesses. In February 1998, we announced that Norman Johnston had joined Jannock as President of the Vinyl Group. In addition to bringing a PhD in Polymer Sciences, Norm's experience in the building products industry and in managing a major automotive plastic parts business will provide a new and welcome perspective to the way the Group manufactures, markets and distributes.

When Jannock was created 25 years ago, the founders leaned heavily on their corporate counsel, Harold Weir, to help them make it happen. Harold holds the singular honour of having seen this organization through good times and bad, ever since. One of his most important acts, before retiring, was to identify his own replacement, Bill Cottick, who comes to us from Laidlaw Inc. As with everything Harold does, he chose wisely. We will miss him.

The composition of our Board has changed, as well. Eileen Mercier, Bill Macdonald and Ian Currie have joined our Board of Directors, filling vacancies resulting from three retiring Directors. They have all already made their presences felt and are making major contributions to the ways your Company is changing. We are delighted to have them with us.

LOOKING FORWARD

Jannock is in the happy position of participating in the stable and growing North American economy. In addition, we are relatively unaffected by the economic instability being felt on the other side of the globe. All the market sectors in which we operate are projecting expansion. With our increased presence, we can only benefit from that expansion.

Viewing our outlook from a more detailed perspective, we should begin to see a return to historical performance occurring in our vinyl siding business. We foresee much stronger growth in our fabricated products business, both in sales and operating earnings. The Metal Group is looking at very significant sales and earnings as a result of recent acquisitions and the start-up of its greenfield investments. We see reason to believe that the Brick Group will enjoy another buoyant sales and earnings year.

On a more cautionary note, we have come to take for granted that one or more of the product platforms within our three business groups may face unforeseen challenges at some point during any given year. If that happens in 1998, we are comfortable that we have both the management ingenuity and the structural balance to see us through.

ROY F. BENNETT
Chairman of the Board

R. JAY ATKINSON
President and Chief Executive Officer

A Strategy for Growth

We have chosen to compete in an industry sector – the manufacturing and marketing of building products – whose principal risk is the highly cyclical nature of the North American construction industry. This cyclicality is clearly beyond our control, but the way we respond to it is not. Since the late 1980s, we have been pursuing a long-term strategy based on achieving growth with emphasis in three key areas: the key market sectors that comprise the construction industry; the range of products we sell; and the regional presences we build across North America. In all our strategic decision-making, our overriding objective has been to manage growth in a manner that maintains some balance between the asset distribution, sales, operating earnings and cash flow of each of our three Business Groups.

As a result, we have evolved from a conglomerate involved in a myriad of largely unrelated businesses, into a highly focused corporation whose financial resources, talents and skills are focused on the industry that it knows best. We have divested ourselves of ten companies with businesses that did not meet our long-term objectives. With the proceeds of those divestitures, as well as new equity capital raised in the markets, we have made major capital investments in creating three distinctly different business groups that all serve the same marketplace.

Leveraging the knowledge and resource base that we gained, we have gone on to invest steadily in the vinyl building products industry in the United States and in metal construction products on both sides of the Canada-United States border. We are determined to ensure that our organization is well positioned to move quickly whenever construction industry demand shifts among these three product sectors.

At the same time, we have always recognized the need to achieve much broader geographic and product diversification, so that we are well prepared to weather the impact of downturns in specific regional markets. Construction is essentially a localized industry. Success or failure is often determined more by local market conditions, than the health of a national economy. As a result, we make strategic acquisitions and greenfield investments throughout North America to give ourselves the flexibility and geographic reach to respond effectively to these local markets.

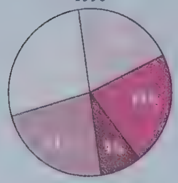
In recent years, to further protect ourselves from the price fluctuations that characterize the markets for basic products and standardized components, we have focused on creating value-added products that incorporate engineering and technical expertise. In our Vinyl Group, for example, we have invested heavily in fabricated products such as windows, doors, decking and fencing. In the Metal Group, we have moved beyond metal component manufacturing to also become a premier supplier of engineered products, as well as pre-engineered solutions. In this way, we are adding another weighting factor to the strategy of balanced growth that has served us so well.

BUSINESS GROUP BALANCE

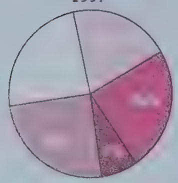
In the building products industry, the success of any single product line can be determined by commercial factors that have little or no impact on others. For example, the price of raw materials needed to produce vinyl products is usually unrelated to that required for metal fabricating. By keeping a balance within the product platforms of our three Business Groups, we have avoided becoming overly dependent on the performance of any one of them.

Sales Contribution by Market Sector

1996



1997



- New Residential Construction
- Residential Renovation and Repair
- Commercial/Industrial Construction
- Agricultural Construction
- Infrastructure Construction

MARKET BALANCE

In keeping with our strategy of balance, the sales generated by our three Business Groups are well distributed among the five industry sectors that make up the North American construction industry: New Residential, Residential Renovation and Repair, Commercial/Industrial, Agricultural and Infrastructure.

Although most of these sectors are highly cyclical, their individual performance is largely unaffected by the forces influencing the others. For example, although the New Residential sector may be adversely affected by slower economic growth, the Residential Renovation and Repair sector tends to perform well in weak economic times.

Similarly, the Agricultural sector is impacted by such factors as weather and shifts in government policy that are irrelevant to the performance of the Commercial/Industrial sector.

By diversifying our operations among all five, we are able to minimize the effect of negative trends in any one sector.

BUSINESS GROUP SALES BY MARKET SECTOR

(millions of dollars)

Market Sector	Vinyl Group		Metal Group		Brick Group		1997 Total	
	$	%	$	%	$	%	$	%
New Residential Construction	82	23	-	-	207	77	289	25
Residential Renovation and Repair	274	77	10	2	-	-	284	24
Commercial/Industrial Construction	-	-	165	31	61	23	226	20
Agricultural Construction	-	-	274	52	-	-	274	24
Infrastructure Construction	-	-	81	15	-	-	81	7
Total	356	100	530	100	268	100	1,154	100

REGIONAL BALANCE

Regions are subject to many of the same cyclical influences that can impact on specific industry sectors. At one time, we were largely dependent on the health of the Ontario economy for our financial performance. In particular, the residential market in Ontario had a direct and dramatic effect on our bottom line.

Over the past ten years, however, we have shifted our asset base geographically so that the United States market now delivers more than half of our sales and earnings. By pursuing organic growth and strategic acquisitions in promising regions of both Canada and the United States, we have succeeded in reducing the risk associated with over-dependence on the economic performance of any single geographic area.

PRODUCT BALANCE

In the early 1990s, our range of products was small and largely basic or component-based. Since that time, we have pursued a strategy of constantly expanding our product offerings and differentiating them from competitive offerings through better quality and service support. In addition, we have been expanding our capabilities to deliver custom-engineered products.

As a result, we now earn more than 40 percent of our revenues from products that we did not even offer just eight years ago. Again, this product diversification provides a strong defence against shifts in customer demand for any particular offering.

THE CORPORATE OFFICE ROLE

We believe that the best way to understand and meet the needs of our customers is to place that responsibility with local operating management. For this reason, the operations of our Business Groups are highly decentralized, with management of each responsible for achieving appropriate returns on their individual assets.

The role of our Corporate Office is to ensure that the appropriate balance between each of these operations is maintained, and that each is equipped with the necessary resources to compete effectively in its markets. Corporate Office is responsible for strategic planning, capital allocation, development, compensation and financial management for the company as a whole. By providing strategic direction and capital resources to our individual Business Groups through our Corporate Office, we intend to further enhance our stature as a leader in the North American building-products industry.

OUTLOOK

Over the next five years, we expect to achieve major growth in all three of our Business Groups. We are constantly developing new products and services, investigating strategic acquisitions and expanding our manufacturing capacity in those regions of the United States and Canada that appear to offer the brightest financial prospects.

Steady economic growth, continuing interest-rate stability, and positive demographic factors in all of our chosen markets lead us to believe that we will achieve even greater financial and operational strength in the years ahead.

Operations Overview

THE VINYL GROUP

The vinyl siding businesses of the Vinyl Group experienced significant declines in financial performance during 1997 due to a number of factors: demand for vinyl siding softened in the second half of the year; several major customers in the United States were absorbed by a large competitor pursuing policies of expansion and vertical integration; another key customer declared bankruptcy early in the year; and, large-scale consolidation became the overriding trend throughout the industry.

As a result, Vinyl Group operating earnings, before unusual items, fell to $8.3 million in 1997 from $29.9 million the previous year. The Group's identifiable assets increased by $19.6 million, primarily due to the acquisition of Survivor Technologies. While siding shipments fell 13%, Group sales were relatively flat on a year-over-year basis, largely as a result of an increase of 244% in unit sales of vinyl windows. Fencing and decking unit volumes grew by 42%.

THE METAL GROUP

Consolidation also had a major effect on the metal building products industry, particularly in Canada. Although market conditions were positive, the Group experienced higher materials costs which could not immediately be passed through to customers. In addition, plant expansions and greenfield start-ups resulted in additional operating costs for wages and overhead, that were not offset by revenues during the current fiscal year. With the purchase of Associated Building Systems, the Group completed the largest acquisition in its history. While these initiatives represented solid investments in the future, they impacted 1997 earnings, which were virtually unchanged compared with the previous year.

THE BRICK GROUP

Operating earnings grew by 41.9% to $39.3 million. Capital spending doubled to $20.5 million for plant and equipment upgrades, plant construction in Texas and the re-commissioning of three kilns in Ontario.

Group sales in Canada increased by 31.9%, while United States sales grew 7.6%. Improved operating margins were attributable to increased sales and the successful completion of major restructuring initiatives over the past two years.

Management's Discussion and Analysis

Please review this report with the Consolidated Financial Statements and accompanying Notes beginning on page 57

PROFILE

The North American construction industry generates more than US $800 billion in annual revenues. It comprises a number of market sectors, including Commercial/Industrial, Agricultural, Infrastructure, New Residential, and Residential Renovation and Repair. Jannock Limited is one of North America's largest providers of building products to these market sectors. The company operates three Business Groups:

- Vinyl, a leading supplier of vinyl siding, as well as fabricated products that include fencing, decking, windows and doors, to the residential and renovation and repairs construction market in North America;
- Metal, one of North America's largest suppliers of metal construction products and engineered building systems; and
- Brick, North America's second largest manufacturer of clay brick.

Through our Jannock Properties division, we are also developing some of the industrial sites that had been used by our brick manufacturing operations. These properties are being marketed for residential and commercial purposes.

On April 30, 1997 we completed the sale of our 50% joint venture interest in Ferrum Inc. which was part of the Metal Group. This action was taken in keeping with our long-term strategy of divesting non-core businesses. As a result of that sale, we hold 100% ownership in all three Business Groups.

OPERATING RESULTS

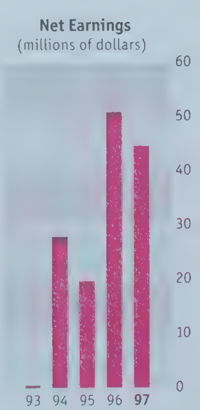
(millions of Canadian dollars)	1997	1996
Net earnings	44.5	50.7
Sales	1,154.3	1,084.3
Operating margin (%)*	6.0	7.2

*Before Unusual items and Property development

NET EARNINGS

In 1997, our net earnings were $44.5 million, compared to $50.7 million in 1996. Our net earnings attributable to Common shareholders were $1.44 per share. In 1996, net earnings attributable to Common shareholders were $1.65 per share.

The reduction in our net earnings was largely due to the loss of income that resulted from the sale of Ferrum Inc. and from a sharp reduction in the Vinyl Group earnings. These reductions in income were, however, partially offset by improved earnings from our Brick Group.



STRATEGIC TRANSACTIONS

During the year we completed a series of strategic transactions in keeping with our core competency and growth objectives:

PACIFIC WESTEEL

In March 1997, Jenisys sold Pacific Westeel, a manufacturer of shelving and racking products, which did not fit our core business requirements.

HOLT CULVERT & METAL PRODUCTS LIMITED

In April 1997, Jenisys acquired Holt Culvert & Metal Products Limited of Peterborough, Ontario for $3.1 million. Holt manufactures and markets highway drainage products, culverts and metal highway signs.

Jenisys is integrating this company into the operations of Armtec, the group division that provides engineering solutions and products for the heavy construction and civil engineering markets. By integrating Holt with Armtec we have been able to enhance the quality and timeliness of our service to our infrastructure construction customers in eastern Ontario.

SURVIVOR TECHNOLOGIES, INC.

The Vinyl Group's acquisition of Survivor Technologies in April 1997 for $35.8 million has provided us with a major presence in the wholesale and retail distribution of vinyl windows and doors. These distribution channels have become an increasingly important factor in reaching homeowners and builders who specifically demand vinyl windows for their construction projects.

Considered together with Kensington Windows, another Jannock subsidiary (purchased in 1995), the acquisition of Survivor Technologies has placed us among the top ten vinyl window producers in North America.

FERRUM INC.

Although Ferrum had a history of achieving satisfactory earnings, the joint venture nature of our investment did not meet our strategic needs. In addition, we would have been required to invest additional cash to remain at the forefront of the automotive parts industry – funds that we felt would be better employed in building our core businesses.

The sale of Ferrum in April 1997 completed a major restructuring program that our Board and management initiated in the early 1990s.

TOLBEC INC.

The purchase of Tolbec Inc. by Jenisys in May 1997 for $4.5 million was made to complement and reinforce Jenisys' presence in existing markets. Tolbec manufactures and markets roofing and siding products for the agricultural, commercial and industrial construction markets in Quebec and eastern Ontario.

By integrating Tolbec with the operations of its VICWEST division, Jenisys has further improved its product capabilities and customer service in these regions.

ASSOCIATED BUILDING SYSTEMS, INC.

In December 1997, we completed the largest acquisition in our history, when Jenisys purchased Associated Building Systems, Inc. for $132.1 million. Associated Building Systems manufactures and markets commercial and industrial building systems throughout the United States. This acquisition provides us with the opportunity to market an expanded value-added product line that delivers higher margins than Jenisys' components product line. Associated Building Systems is expected to make an immediate contribution to our earnings.

At the strategic level, the acquisition also adds strength and resiliency to the Metal Group's United States operations, by providing increased market and geographic diversification. Associated Building Systems serves parts of the commercial and industrial market sectors that are distinct from those which had been available to Jenisys prior to the acquisition.

BIG 'O' INC.

In January 1998, Jenisys completed the acquisition of Big 'O' Inc., of Exeter, Ontario, for $24.0 million. In addition to being one of Canada's leading producers of high-density polyethylene corrugated plastic pipe, Big 'O' manufactures the equipment and tooling to produce high-performance corrugated pipe for the agricultural and infrastructure markets. This acquisition will complement Jenisys' existing strength in providing solutions requiring the use of quality pipe products.

CORPORATE OVERVIEW

The following five tables show the sales, operating earnings and margins of each of our groups as well as sales and operating earnings and identifiable assets by geographic regions.

SALES

	1997		1996	
(millions of Canadian dollars)	$	%	$	%
Vinyl	355.6	31	356.7	33
Metal	530.5	46	474.1	44
Brick	268.2	23	235.9	22
Insulation	-	-	17.6	1
Total	1,154.3	100	1,084.3	100

We achieved consolidated sales of $1.15 billion in 1997, compared to $1.08 billion in 1996, an increase of 6.5%.

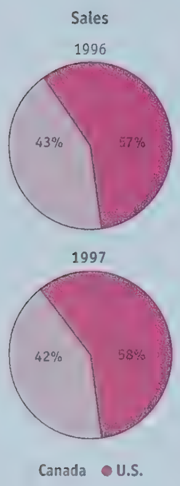
The increased sales achieved during 1997 were due to a number of factors:

- higher sales volumes in the Brick and Metal Groups;
- the acquisitions of Holt Culvert and Tolbec by the Metal Group early in the year; and
- the purchase of Survivor Technologies by the Vinyl Group in May.

OPERATING EARNINGS

	1997		1996	
(millions of Canadian dollars)	$	%	$	%
Vinyl	8.3	11	29.9	36
Metal	30.4	39	30.3	37
Brick	39.3	50	27.7	34
Insulation	-	-	(0.9)	(1)
Corporate expenses	(9.2)	(12)	(9.2)	(11)
Operating earnings before the following	68.8	88	77.8	95
Property development	(0.3)	-	1.5	2
Unusual items	9.7	12	2.6	3
Total	78.2	100	81.9	100

Our consolidated operating earnings declined $3.7 million to $78.2 million in 1997, primarily due to a significant drop in operating earnings from the Vinyl Group. This decline offset an $11.6 million increase in the Brick Group operating results. The Metal Group operating earnings were flat compared to 1996.



In 1997, our property development operation experienced $0.3 million in losses, compared to a $1.5 million gain in 1996. This was entirely related to timing because none of the development stages were completed during 1997.

A gain of $9.7 million has been reported under the unusual items category in the 1997 Income Statement. After three years of negotiations, Jenisys reached agreement on a surplus sharing arrangement with employees and other members of a divisional pension plan. Jenisys received $24.2 million cash, resulting in a gain of $15.3 million before tax ($9.1 million after tax). The final liquidation of our Insulation business provided a further $0.9 million. Partially offsetting these gains, the Vinyl Group incurred charges of $6.5 million before tax ($3.9 million after tax) in standing down its Canadian operations.

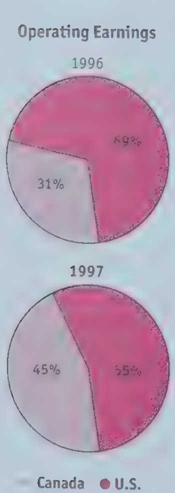
In 1996, we reported unusual items of $2.6 million. This amount represented a $13.6 million gain from the sale of the Celfortec division of our Insulation business, from which we had deducted a restructuring charge of $11.0 million for the Vinyl Group.

OPERATING MARGINS *

(percentage of sales)	1997	1996
Vinyl	2.3	8.4
Metal	5.7	6.4
Brick	14.7	11.7
Total	6.0	7.2

*Before Unusual items and Property development

Our consolidated operating margin decreased from 7.2% in 1996 to 6.0% in 1997, primarily due to the decline in siding margins within the Vinyl Group, as well as a small decline in the Metal Group's margins. These developments more than offset the improvements in the Brick Group's margin performance during 1997.



SALES AND OPERATING EARNINGS BY GEOGRAPHIC REGION

	1997		1996	
(millions of Canadian dollars)	$	%	$	%
SALES				
Canada	484.1	42	463.2	43
United States	670.2	58	621.1	57
Total	1,154.3	100	1,084.3	100
OPERATING EARNINGS				
Canada	35.0	45	27.0	31
United States	43.0	55	60.0	69
	78.0	100	87.0	100
Corporate expenses	(9.2)		(9.2)	
Total	68.8		77.8	

Our Canadian sales increased by 4.5%, or $20.9 million to $484.1 million in 1997. This increase resulted from the strong housing market for brick in eastern Canada, growth in the Agricultural construction sector and the impact of the Holt and Tolbec acquisitions.

Sales in the United States increased by 7.9%, or $49.1 million, to $670.2 million in 1997 due to the Survivor Technologies acquisition, higher brick sales in the southeast and growth in agricultural sales by the Metal Group. These developments were partially offset by a decline in vinyl siding sales.

Canadian operating earnings grew $8.0 million to $35.0 million, due entirely to the performance of our Canadian brick operations. Earnings from our United States operations decreased by $17.0 million in 1997, to $43.0 million, entirely as a result of the performance of the Vinyl Group.

IDENTIFIABLE ASSETS

(millions of Canadian dollars)	1997	1996
Canada	260.1	277.6
United States	580.5	367.5
	840.6	645.1
Discontinued operation assets	-	74.3
Corporate assets	18.9	13.9
Total assets	859.5	733.3

Canadian identifiable assets decreased by $17.5 million mainly due to the suspension of operations at our Canadian vinyl plant. Our United States assets increased by $213.0 million, largely as a result of the acquisitions of Associated Building Systems in December 1997 and Survivor Technologies in April 1997. The reduction in discontinued operation assets was due to the sale of Ferrum Inc.

INTEREST EXPENSES

We paid interest of $14.1 million in 1997, a decrease of $3.0 million from the previous year. We achieved this decrease by reducing our net borrowings throughout 1997, compared to 1996. In late December, our total debt increased by $132.1 million with the purchase of Associated Building Systems.

INCOME TAXES

We incurred $22.2 million of income taxes in 1997, compared to $20.7 million in 1996. Our income tax expense in 1997 was equal to 34.6% of total earnings before taxes, a 2.7% point increase over the previous year. A detailed explanation of our income tax provision is provided in Note 8 to the Consolidated Financial Statements.

Vinyl Group

OPERATING AND FINANCIAL DATA

(millions of Canadian dollars, except where noted)	1997	1996
Siding shipments (millions of squares)	**4.4**	5.1
Window shipments (thousands of units)	**420**	122
Fence and deck shipments (millions of pounds)	**26.8**	18.9
Sales	**355.6**	356.7
Operating earnings before unusual items	**8.3**	29.9
Unusual items	**(6.5)**	(11.0)
Operating earnings	**1.8**	18.9
Operating margin before unusual items (%)	**2.3**	8.4
Identifiable assets	**229.3**	209.7
Capital expenditures (1)	**15.2**	8.1
Depreciation	**13.5**	13.5
Amortization	**4.4**	4.1

(1) excluding acquisitions

In both the United States and Canada, the vinyl siding industry is undergoing consolidation as new entrants are investing heavily to acquire positions in the manufacturing and distribution processes. This concentration has led to stronger competition for customers and market share. It has also resulted in price reductions for vinyl siding. At the same time, growth in overall demand for vinyl siding has slowed from historical rates.

The Vinyl Group's siding shipments were negatively impacted by these factors, as well as by the loss of customers in both the United States and Canada through a bankruptcy and acquisitions by competitors. As a result, vinyl siding shipments were 13% lower, falling to 4.4 million squares in 1997 from 5.1 million squares in 1996. Offsetting this decline was an increase in sales of fabricated vinyl products, due to a strong boost in sales volumes at Outdoor Technologies, our United States based vinyl fencing subsidiary, coupled with our acquisition of Survivor Technologies. Overall, the Vinyl Group's sales declined by $1.1 million, to $355.6 million, in 1997, from $356.7 million in 1996.

Operating earnings, before unusual items, declined from $29.9 million in 1996 to $8.3 million in 1997. The key factors in this reduction were lower siding volumes and lower margins as a result of more competitive pricing for vinyl siding products, as well as construction and weather delays that held up the consolidation of our operations in Kentucky. We also experienced operating problems at our fencing plant in Mississippi.

In October, we readdressed our excess siding capacity by suspending operations at our plant in Ontario, and recorded an unusual charge to earnings of $6.5 million to cover employee severance payments, equipment and employee relocation and fixed asset writedowns. A charge of $11.0 million, that was taken in 1996, was related to the closure of plants in Mississippi and Ontario as well as the sale of distribution operations in Ontario.

Despite the closure, identifiable assets in the group increased by $19.6 million, primarily as a result of the acquisition of Survivor Technologies, as well as plant-related capital expenditures. The increased level of capital expenditures in 1997 was incurred in plant and equipment upgrades. The most significant of these was the expansion of our Kentucky plant to handle the consolidation of the Mississippi plant that closed in late 1996.

In 1998 we are expecting strong demand for windows and fencing products to continue. While the demand for siding is expected to grow, it will remain lower than historical rates. Pressure on pricing is also likely to continue. However, the Vinyl Group's earnings are expected to recover in 1998, reflecting higher sales, improved productivity, cost reductions and the closure of the Ontario vinyl siding plant.

Metal Group

OPERATING AND FINANCIAL DATA

(millions of Canadian dollars, except where noted)	1997	1996
Sales	**530.5**	474.1
Operating earnings	**30.4**	30.3
Operating margin (%)	**5.7**	6.4
Identifiable assets	**380.2**	195.1
Capital expenditures (1)	**17.0**	5.0
Depreciation	**6.2**	5.6
Amortization	**1.2**	0.4

(1) excluding acquisitions

An increasing trend towards consolidation is now being seen in the United States metal building products industry. This process is already well advanced in Canada where Jenisys has clear leadership in each of the market sectors that it serves.

Overall market conditions in both the United States and Canada were good in 1997, apart from weather-related problems that affected the western Canadian agricultural markets in the second half of the year. Infrastructure spending by governments reflected budget constraints but was more than offset by increased road construction by forest products companies. The overall pricing environment was competitive in the face of rising steel prices.

With the sale of its 50% interest in Ferrum in April, the Metal Group now consists solely of Jenisys Engineered Products. In 1997, Jenisys' sales grew $56.4 million, or 11.9%, to $530.5 million. This growth was the result of stronger agricultural grain bins markets in western Canada and increased demand for cladding in both the United States and Canadian markets. We also achieved higher sales of highway and drainage products in Canada. The impact of the acquisitions of Holt Culvert and the Tolbec roofing and siding businesses was largely offset by the divestiture in April of the Pacific Westeel racking business.

Operating profits were only marginally higher than in 1996, reflecting lower margins achieved in 1997. This decrease in margins was due to several factors. We were unable to fully recover higher materials costs on either side of the border. In addition, we incurred extra costs as a result of plant expansions, greenfield start-ups and acquisitions that were made during the year. While these investments should contribute to growth in 1998, they impacted Jenisys' 1997 earnings, which were virtually flat at $30.4 million, compared to $30.3 million in 1996.

Identifiable assets for Jenisys grew by over $185.1 million in 1997, primarily due to the acquisitions of Associated Building Systems, Holt Culvert and the Tolbec roofing and siding business.

Capital spending in 1997 was $17.0 million, $12.0 million higher than in 1996. Investments were made in plant expansions in Stratford, Ontario; Winnipeg, Manitoba; and Dallas, Texas. In addition, Jenisys has constructed five new greenfield operations: three in the United States and two in Canada. They are all expected to be on-stream by the second quarter of 1998.

In 1998, non-residential spending is expected to show modest growth with a moderate decline in agricultural spending due to poorer crops in western Canada in 1997. We expect to achieve significant revenue growth in 1998 from our acquisitions of Associated Building Systems, Holt Culvert, and Tolbec in 1997 and the January, 1998 acquisition of Big 'O' Inc., a manufacturer of plastic pipe. In addition, Jenisys will also benefit from the investments that were made in 1997 in plant expansions and greenfield start-ups. Operating margins should improve as a result of higher sales levels.

Brick Group

OPERATING AND FINANCIAL DATA

(millions of Canadian dollars, except where noted)	1997	1996
Shipments (millions of bricks)	**1,163**	1,066
Sales	**268.2**	235.9
Operating earnings	**39.3**	27.7
Operating margin (%)	**14.7**	11.7
Identifiable assets	**186.6**	173.0
Capital expenditures (1)	**20.5**	9.7
Depreciation	**13.4**	13.0
Amortization	**0.7**	2.6

(1) excluding acquisitions

In 1997, housing starts in Ontario and Quebec, the Brick Group's primary Canadian markets, were 54,000 and 26,000 respectively, up 26% and 12% from 1996. These increases were largely the result of renewed economic health in central Canada. In the United States, total housing starts remained unchanged at 1.48 million units.

Total Brick Group shipments increased by 97 million bricks, or 9.1%, to 1,163 million bricks. The Group's United States shipments were up by 12 million bricks, or 1.5%, over 1996 levels. Canadian shipments were up 32.6% to 343 million bricks.

The Brick Group's sales increased by $32.3 million, or 13.7%, to $268.2 million in 1997. United States sales grew $13.4 million, or 7.6%, with the major improvements being in North and South Carolina. Canadian brick sales increased by $18.9 million, or 31.9%, to $78.2 million as a result of the improving market for new housing in central Canada.

The Brick Group operating earnings grew by $11.6 million to $39.3 million. In Canada, the Group recorded earnings of $10.5 million in 1997, compared to $2.1 million the previous year. In the United States, the Brick Group's operating earnings were up $3.2 million, or 12.5%, to $28.8 million.

Operating margins in Canada were significantly higher, due to the impact of major restructuring initiatives undertaken over the last two years, coupled with increased sales. In the United States, improved margins were largely attributable to higher sales.

Capital spending in 1997 was $20.5 million, compared with $9.7 million in 1996. This was the result of plant and equipment upgrades, the construction of a new brick plant in Elgin, Texas and the re-commissioning of mothballed kilns at two Ontario plants.

In 1998, housing starts in Ontario and Quebec are expected to continue their growth, due to positive demographics and the expectation that consumer interest rates will remain low. United States overall housing starts are expected to decline slightly, but the key southern states, in which we operate, are expected to remain strong. Revenues should grow, particularly in Canada, due to increased production capability. Operating margins are expected to continue to improve as a result of higher sales levels and a continuing focus on cost management.

JANNOCK PROPERTIES

Jannock owns major tracts of land in southern Ontario, including sites in Mississauga, Burlington, Milton and Niagara-on-the-Lake. All of these sites are licensed for the extraction of the shale used in the manufacture of clay brick. Land no longer needed for manufacturing operations is considered for its economic potential as residential, commercial or industrial development property.

Our first development project was a 63-acre former shale and brick plant site in Mississauga, Ontario that has been developed into a residential and commercial site. Income from this site began in 1995 with the sale of serviced lots to builders. No income was generated from this site in 1997 due to the timing of the different phases of development. This site is expected to generate income, once again, in 1998 and 1999 as the remaining phases are completed.

We have also begun development of a second 183-acre residential and commercial site in Mississauga. We expect income to be generated from this project in the second half of 1998 and to continue into the next decade.

CAPITAL RESOURCES

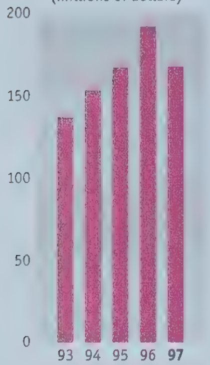
WORKING CAPITAL

Working capital was reduced from $190.7 million in December 1996 to $166.3 million at December 1997. The proceeds of Celfortec and Ferrum were partially offset by the working capital obtained through acquisitions, as well as the increased working capital needed to support sales growth.

LONG-TERM DEBT AND FINANCIAL INSTRUMENTS

In 1997 we renegotiated a $300 million revolving/term credit agreement with a syndicate of banks to include the financing requirements of the Metal Group. The Metal Group had previously been financed separately, without recourse to Jannock Limited.

Working Capital (millions of dollars)



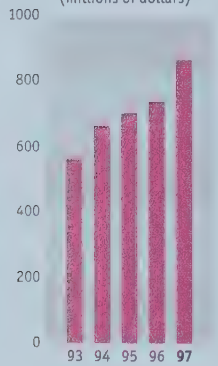
This unsecured credit facility is being used to finance our operations and acquisitions in North America. At the end of 1997, we had used $110.1 million of this facility. We also maintain operating lines of credit with four individual banks, giving us an additional borrowing capacity of over $40.0 million.

On February 28, 1996 the company's bond purchase warrants, issued in 1995, were exercised for US $107.0 million. The bonds were issued in three series maturing in 2001 to 2006 with effective rates from 7.00% to 7.52% per annum.

Our long-term debt has been rated by the Dominion Bond Rating Service (DBRS) as BBB (high) and has also been awarded an A rating by Canadian Bond Rating Service (CBRS).

Another source of debt capital is a $100-million commercial paper program, which has been rated R-2 high by DBRS and A-1 low by CBRS. Our commercial paper consists of short-term promissory notes and other negotiable instruments. We have not used the commercial paper program to raise capital since 1992.

Total Assets (millions of dollars)

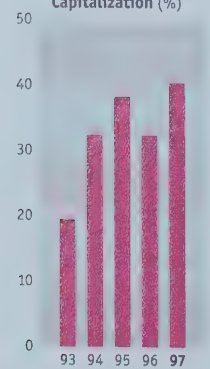


At December 31, 1997, Jannock's net debt represented 40% of total capital. This was higher than our debt position on December 31, 1996, when it was at 32%, and reflected the purchase, in December 1997, of Associated Building Systems. For purposes of determining this ratio, net debt is defined as the company's interest-bearing debt after its holdings in cash or cash equivalents have been deducted.

SUBSEQUENT EVENT

On March 9, 1998, we announced that we had entered into an underwriting agreement to raise equity financing through the sale of 4.1 million common shares from treasury at a price of $20.50 per share for net proceeds after underwriters' fees of $80.1 million. The proceeds will be used to reduce debt related to amongst other things, a number of acquisitions completed over the last year, increased working capital and capital expenditures. It will provide Jannock the flexibility to access funds for general corporate purposes and to take advantage of acquisition opportunities that may arise. The share issue will increase Jannock's Common shares outstanding by 13%, to 34.5 million and is expected to close on March 26.

Net Debt to Total Capitalization (%)



SHAREHOLDERS' EQUITY

During 1997, Shareholders' Equity increased by $35.0 million, or 10.2%, from $343.3 million the previous year.

Net earnings of $44.5 million in 1997 were $27.9 million in excess of dividends on the Common and Second Preference shares of $16.6 million. In 1997 book value per Common share increased to $12.07 per share from $10.92 per share in 1996.

MANAGING RISK

CYCLICAL BUSINESS

The building products industry is somewhat cyclical, particularly in the New Residential construction sector. Our earnings levels are directly dependent on the amount of construction that takes place in the markets we have chosen to serve. This is the key risk we must manage.

We do this by diversifying our operations by region, product line and market sector. We have effectively spread our operational risk across three business groups, two countries and five market sectors. As a result, we are less vulnerable to weaknesses in specific markets, but at the same time are well positioned to benefit from opportunities as they arise.

For example, we have invested heavily in the United States to reduce our dependence on economic growth in Ontario and Quebec, which were traditionally our most important markets. At the same time, the Metal Group has diversified both geographically and by product to reduce the impact of downturns in local construction markets.

The benefits of balance to the company as a whole were clearly demonstrated during 1997. During the course of the year, the improved results at the Brick Group and the continued strength of the Metal Group helped to reduce the impact on consolidated earnings as a result of the difficulties faced by the Vinyl Group.

RAW MATERIAL COSTS

Jannock's Vinyl Group uses polyvinyl chloride (PVC) resin as a primary input material. PVC is used primarily for pipe, siding, windows, flooring and other products used in residential and commercial construction. The Vinyl Group can occasionally be confronted with a rapid rise in prices for PVC resin that cannot be passed through in its own pricing in time to avoid a decline in margins. To reduce this risk, wherever possible the Vinyl Group uses the combined buying power of its subsidiary companies to negotiate stable pricing for raw materials.

For the Metal Group, steel is the primary raw material. Like most commodities, steel prices rise and fall according to demand and availability. In many cases, the market price for steel-based products follows that of the raw material from which they are made. The Metal Group also uses its strong buying power to build relationships with its suppliers to insure that the steel it requires is constantly available at stable and competitive prices.

SUPPLIER RISK

Jenisys optimizes its material costs by purchasing over half of its Canadian steel requirements from a single supplier. The supplier has negotiated long-term labour contracts and maintains inventories of products. In the event of supply disruptions, Jenisys would be able to obtain its requirements from other North American or offshore suppliers but would incur some cost penalties.

INTEREST RATES AND CURRENCY RISKS

At the end of 1997, approximately 60% of our long-term debt was fixed-rate United States dollar denominated debt. The remainder was mainly floating rate United States dollar denominated debt. Accordingly, our debt position is not highly vulnerable to significant interest rate risk. Construction industry markets are negatively affected by rising interest rates and positively affected by

declining interest rates. For this reason, a continuation of current lower interest rates in both Canada and the United States is expected to result in further strengthening of our markets, particularly New Residential construction.

Currency risk is not a significant factor. Our United States dollar denominated debt reduces the effect that currency fluctuations might otherwise have on our operations in the United States. In addition, our company is not a significant exporter. While we operate in both Canada and the United States, our businesses serve local and regional markets.

YEAR 2000

"Year 2000" is a term used to refer to the potential computer hardware and software implications associated with the arrival of the millennium. On January 1, 2000, unadjusted computers will designate the year as "00", possibly resulting in major systems failures or data losses.

With the help of external consultants, we have begun a company-wide review to prepare our computer systems and applications for this risk. An evaluation of the many information systems employed throughout our decentralized operations is currently in progress. We intend to complete a comprehensive assessment of our Year 2000 readiness by mid-1998. Action plans will then be put in place to address any areas that do not comply. We currently do not expect the cost of compliance to have a material impact on results. Costs associated with Year 2000 initiatives will be expensed as they are incurred.

OTHER RISKS

Large manufacturers are often perceived to be exposed to the risk of liability for environmental damage and cleanup costs arising from their operating practices. Our policy is to comply in all material ways with applicable laws and regulatory standards in operating our facilities and businesses.

We have not found the cost of complying with these standards to be significant, nor do we expect them to be in the years ahead.

ECONOMIC OUTLOOK

The North American construction industry should continue to benefit in 1998 from continued economic health. Both the Federal Reserve Board and the Bank of Canada have demonstrated a commitment to keep inflation under control. As a result, interest rates have been stable for several years. This stability is a critical factor in the performance of every aspect of the construction industry.

In the regions where we do most of our business – the northeastern and southern United States and Ontario – the local economies are expected to remain buoyant. While Quebec continues to struggle, moderate growth is expected and the impact of repairs arising from the 1998 ice storm should be positive for the construction industry.

Financial Statements

CONSOLIDATED STATEMENTS OF EARNINGS

FOR THE YEARS ENDED DECEMBER 31 (millions of Canadian dollars, except per share amounts)	1997	1996
SALES (Note 12)	1,154.3	1,084.3
Operating costs	1,085.5	1,006.5
OPERATING EARNINGS BEFORE THE FOLLOWING	68.8	77.8
Net (losses) gains from Property development	(0.3)	1.5
Unusual items (Note 7)	9.7	2.6
OPERATING EARNINGS	78.2	81.9
Interest expense on short-term debt	1.2	2.5
Interest expense on long-term debt	12.9	14.6
EARNINGS BEFORE INCOME TAXES	64.1	64.8
Provision for income taxes (Note 8)	22.2	20.7
EARNINGS FROM CONTINUING OPERATIONS	41.9	44.1
Discontinued operations (Note 1)	2.6	6.6
NET EARNINGS FOR THE YEAR	44.5	50.7
EARNINGS PER COMMON SHARE (Note 6)		
Continuing operations	1.35	1.43
Net earnings	1.44	1.65

See accompanying Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

FOR THE YEARS ENDED DECEMBER 31 (millions of Canadian dollars)	1997	1996
RETAINED EARNINGS, BEGINNING OF YEAR	174.3	140.2
Net earnings for the year	44.5	50.7
	218.8	190.9
DIVIDENDS		
Second Preference shares	1.5	1.5
Common shares	15.1	15.1
	16.6	16.6
RETAINED EARNINGS, END OF YEAR	202.2	174.3

See accompanying Notes to Consolidated Financial Statements

CONSOLIDATED BALANCE SHEETS

AS AT DECEMBER 31 (millions of Canadian dollars)	1997	1996
ASSETS		
CURRENT ASSETS		
Cash and equivalents	17.8	10.7
Accounts receivable	187.8	152.6
Inventories (Note 3)	144.2	132.3
Account receivable on asset sale (Note 7)	-	26.0
Prepaid expenses and other current assets	8.3	9.2
Income taxes receivable	3.6	-
Discontinued operations (Note 1)	-	74.3
	361.7	405.1
FIXED ASSETS (Note 4)	258.1	210.5
PROPERTY DEVELOPMENT ASSETS	41.2	35.4
OTHER ASSETS	2.3	9.1
DEFERRED INCOME TAXES	-	0.3
GOODWILL	196.2	72.9
	859.5	733.3
LIABILITIES		
CURRENT LIABILITIES		
Bank indebtedness	5.4	4.6
Accounts payable and accrued liabilities	184.7	168.8
Income taxes payable	-	3.6
Current portion of long-term debt (Note 5)	0.9	0.7
Dividends payable	4.4	4.4
Discontinued operations (Note 1)	-	32.3
	195.4	214.4
LONG-TERM DEBT (Note 5)	264.8	163.4
DEFERRED CREDITS	8.2	9.9
DEFERRED INCOME TAXES	11.8	-
MINORITY INTEREST	1.0	2.3
	481.2	390.0
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 6)		
Second Preference shares	18.5	18.5
Common shares	139.6	139.4
RETAINED EARNINGS	202.2	174.3
Foreign currency translation adjustment	18.0	11.1
	378.3	343.3
	859.5	733.3

See accompanying Notes to Consolidated Financial Statements

SIGNED ON BEHALF OF THE BOARD

R. Jay Atkinson

R. JAY ATKINSON
Director

ROY F. BENNETT
Director

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

FOR THE YEARS ENDED DECEMBER 31 (millions of Canadian dollars)	1997	1996
OPERATING ACTIVITIES		
Earnings from continuing operations	41.9	44.1
Items not affecting cash		
Depreciation	33.3	33.7
Amortization	6.6	7.5
Deferred income taxes	12.1	(2.4)
Gain on sale of business	(0.9)	(13.6)
Gain from pension surplus	(15.3)	-
Other	(1.9)	2.6
Working capital provided by operations	75.8	71.9
Net (increase) decrease in non-cash working capital		
Accounts receivable	(6.4)	(9.0)
Inventories	9.3	(0.9)
Prepaid expenses and other current assets	3.5	(1.0)
Accounts payable and accrued liabilities	(16.5)	31.6
Current taxes payable	(7.1)	5.2
Dividends payable	-	(2.3)
	(17.2)	23.6
Cash provided by operating activities	58.6	95.5
FINANCING ACTIVITIES		
Issue of shares	0.2	1.7
Redemption of shares	-	(0.2)
Dividends	(16.6)	(16.6)
Net proceeds on bond issue	-	146.3
Net change in long-term debt	94.8	(165.5)
Cash provided by (used for) financing activities	78.4	(34.3)
INVESTING ACTIVITIES		
Cash used for acquisitions (Note 2)		
Cost of acquisitions	(175.1)	(33.8)
Debt assumed on acquisition	(0.4)	(1.1)
Cost of assets acquired	(175.5)	(34.9)
Proceeds received on sale of investments	28.9	7.4
Proceeds from pension surplus	24.2	-
Proceeds on disposal of fixed assets	4.2	3.4
Additions to fixed assets	(53.2)	(23.2)
Net Property development	(5.8)	(1.1)
Other	1.9	-
Cash used for investing activities	(175.3)	(48.4)
Proceeds on disposal of discontinued operations (Note 1)	44.6	-
Increase in cash	6.3	12.8
CASH (BANK INDEBTEDNESS)		
Beginning of year	6.1	(6.7)
End of year	12.4	6.1

See accompanying Notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements

For the years ended December 31, 1997 and 1996

SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

These consolidated financial statements include the accounts of the Corporation and its subsidiaries. Acquisitions are accounted for by the purchase method and accordingly the results of operations of subsidiaries are included from the dates of acquisition.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

INVENTORIES

Inventories are stated at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

FIXED ASSETS

Fixed assets are carried at cost less accumulated depreciation. Depreciation, which is based on management's estimate of the asset's useful life, is provided on a straight-line basis at annual rates of 5% for buildings and 5% to 33% for equipment and other fixed assets.

GOODWILL

Goodwill is the excess of the cost of investment in subsidiaries over the assigned value of net assets acquired. Goodwill is amortized on a straight-line basis over its estimated life which on average is approximately 18 years.

Periodically the carrying value of goodwill is reviewed by the Corporation by considering the expected future cash flows of the related businesses. Any permanent impairment in the value of goodwill is written off against earnings.

DEFERRED CREDITS

Deferred credits on exercised bond purchase warrants are amortized against long-term interest expense on a straight-line basis over the period to maturity of the related bond debt.

INCOME TAXES

The tax allocation method is used in accounting for income taxes whereby timing differences between income and expenses reported in the financial statements and income and expenses reported for tax purposes result in deferred income taxes.

TRANSLATION OF FOREIGN CURRENCIES

Income and expenses in United States currency are translated to Canadian dollars at rates approximating the average rates of exchange during the year. Assets and liabilities of self-sus-

taining foreign operations in the United States and the Corporation's United States dollar denominated debt are translated to Canadian dollars at the rate of exchange in effect at the year-end. The United States dollar denominated debt is designated as a hedge against the net investment in United States operations. Exchange differences arising on translation of the balance sheets of the United States operations and the Corporation's United States dollar denominated debt are taken to the foreign currency translation adjustment account in the shareholders' equity section of the consolidated balance sheets.

Strengthening of the Canadian dollar decreases the balance in the foreign currency translation account and conversely, weakening of the Canadian dollar increases the balance in this account.

PENSION COSTS AND OBLIGATIONS

Substantially all employees are covered by either defined contribution or defined benefit pension plans. The Corporation's pension benefit obligations under the defined contribution plans are determined by the cash payments required each year and are recorded as pension expense in the same year. The Corporation's pension benefit obligation under defined benefit plans is determined annually by independent actuaries using management's assumptions and the accrued benefit method. Pension expense or recovery includes benefits provided in exchange for employees' services rendered in the current period, amortization of past service costs, experience gains and losses arising on changes in assumptions, and gains or losses on plan settlements or curtailments.

POST-EMPLOYMENT BENEFITS

Post-employment benefits such as major medical and life insurance are provided to some employees. Costs of these benefits are charged to earnings as payments are made.

SALE OF PROPERTY HELD FOR DEVELOPMENT

The Corporation sells developed lots to builders with a down payment and the balance owing to the Corporation is secured by a short-term first mortgage on the property. This method of sale is the accepted practice in the industry and provides temporary financing to the house builder. Due to the uncertainty of the ultimate sale, the Corporation does not recognize the net gain until the builder, concurrent with the sale of the completed unit, repays the mortgage held by the Corporation.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of cash and equivalents, accounts receivable, bank indebtedness and accounts payable and accrued liabilities in the consolidated balance sheet approximate fair values due to the short-term maturities of these instruments.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The reported amount of variable rate long-term debt instruments is estimated to approximate fair values as rates are tied to short-term indices. The reported amount of fixed rate long-term debt instruments is estimated to approximate fair values as actual rates are consistent with rates estimated to be currently available for debt of similar terms and remaining maturities.

BASIS OF PRESENTATION

The financial statements and the notes thereto are prepared in accordance with accounting principles generally accepted in Canada which do not vary in material respects from accounting principles generally accepted in the United States.

1. DISCONTINUED OPERATIONS

Effective April 25, 1997, the Corporation sold its 50% interest in Ferrum Inc. As a result, the Corporation's investment in Ferrum Inc. has been accounted for as a discontinued operation and the 1996 balances have been restated for comparative purposes. The net proceeds on the sale were $44.6 million resulting in a net gain after tax of $2.6 million.

In 1996, the Corporation's proportionate share of sales and net earnings of Ferrum Inc. were $155.0 million and $6.6 million, respectively.

2. BUSINESS ACQUISITIONS

Effective December 22, 1997, the Corporation acquired Associated Building Systems, Inc., a United States manufacturer of pre-engineered metal buildings for cash consideration of $132.1 million (US$ 92.4 million).

Effective May 22, 1997, the Corporation acquired the operating assets and business of Tolbec Inc. for cash consideration of $4.5 million. Tolbec manufactures and markets metal roofing and siding products in Canada.

Effective April 29, 1997, the Corporation acquired Survivor Technologies, Inc., a United States supplier of vinyl windows and doors for consideration of $35.8 million (US$ 25.6 million), including $35.4 million (US$ 25.3 million) of cash.

Effective April 23, 1997, the Corporation acquired Holt Culvert & Metal Products Limited for cash consideration of $3.1 million. Holt manufactures and markets highway drainage, culvert products, and signs in Canada.

Effective January 11, 1996, the Corporation purchased the business and assets of Outdoor Technologies, Inc. (formerly Heritage Vinyl Products) for consideration of $23.9 million (US$ 17.6 million), including $22.8 million (US$ 16.8 million) of cash. Outdoor Technologies, Inc. manufactures and distributes vinyl fencing, decking, and garden accessories.

Effective January 1, 1996, the Corporation purchased the business and assets of Southern Brick for cash consideration of $11.0 million (US$ 8.1 million). Southern Brick is a manufacturer and distributor of clay face brick for residential and commercial uses.

The net assets acquired and consideration given for these acquisitions are summarized as follows:

(millions of Canadian dollars)	1997	1996
Net assets acquired at fair values		
Net working capital	18.2	4.5
Fixed assets	30.2	14.9
Deferred income taxes	(0.3)	-
Goodwill	127.4	15.5
	175.5	34.9
Consideration		
Debt obligations assumed	0.4	1.1
Cash	175.1	33.8
	175.5	34.9

3. INVENTORIES

(millions of Canadian dollars)	1997	1996
Raw materials and supplies	69.2	58.0
Work in process	7.3	3.3
Finished goods	67.7	71.0
	144.2	132.3

4. FIXED ASSETS

(millions of Canadian dollars)	1997 Cost	1997 Accumulated Depreciation	1997 Net	1996 Cost	1996 Accumulated Depreciation	1996 Net
Land	48.1	4.7	43.4	45.6	4.2	41.4
Buildings	119.7	52.5	67.2	104.7	47.7	57.0
Equipment	392.0	273.6	118.4	350.1	248.0	102.1
Other	25.1	16.1	9.0	12.7	8.6	4.1
Construction in progress	20.1	-	20.1	5.9	-	5.9
	605.0	346.9	258.1	519.0	308.5	210.5

5. LONG-TERM DEBT

(millions of Canadian dollars)	1997	1996
Bonds US$ 107.0 million, three series maturing in 2001 to 2006 with effective rates from 7.00% to 7.52% per annum	153.0	146.6
Revolving term loans US$ 77.0 million maturing in 2002 at varying rates of interest based on Libor	110.1	-
Metal Group term loans with interest at 11.08%	-	15.0
Other	2.6	2.5
	265.7	164.1
Less principal payments due within one year	0.9	0.7
Consolidated total of long-term debt	264.8	163.4

(a) In September of 1997 the Corporation's unsecured $300 million revolving term credit agreement was amended to include the Metal Group as part of the Corporation's overall credit facility and to extinguish the separate financing arrangement for the Metal Group.

(b) On February 28, 1996 the Corporation's bond purchase warrants, issued in 1995, were exercised for proceeds of US$ 107.0 million.

Payments of principal required during the next five years are:

(millions of Canadian dollars)

1998	1999	2000	2001	2002
0.9	0.8	0.3	64.7	110.3

6. SHARE CAPITAL

(a) Authorized

Unlimited number of Common shares.

3,000,000 First Preference shares issuable in series.

1,314,672 Cumulative Redeemable Second Preference shares with a dividend rate of $1.20. These shares are redeemable at $17.00 per share and may be purchased for cancellation from a $0.3 million annual purchase fund. These shares carry no voting rights until six quarterly dividends are in arrears.

8,000,000 Third Preference shares issuable in series. Each series shall be issued for a consideration of either $25.00 (Canadian) or $25.00 (US) as determined by the board of directors of the Corporation.

1,000,000 Non-voting Fourth Preference shares issuable in series. These shares are convertible into Common shares at the option of the holder based on a formula that takes into consideration the market value of the Corporation's Common shares on The Toronto Stock Exchange on the last day of trading preceding the date of issue and the market value on the last day of trading preceding the date of the election to convert.

(b) Reservations of share capital

440,000 Common shares are reserved for issuance under the 1976 share purchase plans for employees. The purchase price of the Common shares is market value on the last business day preceding the date of issue.

975,137 Common shares are reserved for issuance under the 1995 stock option plan for employees. The purchase price of the shares is the average of the daily average of the high and low board lot trading prices on The Toronto Stock Exchange for the five trading days preceding the date the options were granted.

90,738 Common shares are reserved under the directors' alternate compensation plan. The shares are issued at a price calculated as the average of the daily average of the high and low board lot trading prices on The Toronto Stock Exchange for the last five trading days of each quarter in which the director is entitled to compensation.

200,000 Common shares are reserved under the 1997 directors' stock option plan. The purchase price of the shares is the average of the daily average of the high and low board lot trading prices on the Toronto Stock Exchange for the five trading days preceding the date the options were granted.

(c) Issued and fully paid as at December 31

	1997	1996	**1997**	1996
	(number of shares)		(millions of Canadian dollars)	
Second Preference shares	**1,234,820**	1,234,820	**18.5**	18.5
Fourth Preference shares	**174,000**	174,000	**-**	-
Common shares	**30,292,061**	30,288,579	**139.6**	139.4

(d) Changes

Under the directors' alternate compensation plan 3,482 Common shares were issued at an average price of $20.49 per share (1996 – 4,438 Common shares at an average price of $13.26 per share).

(e) Common share options issued and outstanding as at December 31

Exercise price	1997	1996
	(number of options)	
$ 15.01	142,900	142,900
$ 13.55	167,537	167,537
$ 18.77	120,000	120,000
$ 17.42	157,500	-
	587,937	430,437

During 1997 the Corporation granted 157,500 options to certain officers to purchase Common shares at an exercise price of $17.42 (1996 – 120,000 options granted at a price of $18.77) and 45,000 options to certain eligible directors to purchase Common shares at an exercise price of $18.19 (1996 – no options were granted to directors). The grant of options to directors is subject to approval by shareholders of the 1997 directors' stock option plan at a meeting to be held on April 29, 1998. The options have a term of 10 years. Twenty-five percent of the options issued to a participant at any one time will become exercisable at the end of each of the first four years following the grant of the options.

(f) Loans receivable from officers and employees of $5.9 million (1996 – $6.0 million) under the Corporation's share purchase plan have been deducted from issued Common shares. The loans are non-interest bearing and non-recourse, secured by 311,592 Common shares and 174,000 Fourth Preference shares (1996 – 318,020 Common shares and 174,000 Fourth Preference shares) issued under the Corporation's share purchase plans. The market value of the shares at December 31, 1997 was $6.4 million (1996 – $6.9 million). The loans are repaid out of a portion of the dividends paid on the shares and mature at various dates between 1998 and 2005. At the December 31,1997 market value, the Fourth Preference shares would be convertible to 31,743 Common shares.

(g) Restrictions exist on the payment of Common share dividends under the provisions attached to the bond debt (Note 5(b)). At current and projected operating and economic levels, these restrictions are not expected to prevent the payment of normal cash dividends.

(h) Earnings per share

Earnings per share are calculated using the weighted average number of shares outstanding for the year. The earnings per share impact of converting all outstanding options is not materially dilutive.

7. UNUSUAL ITEMS

In November of 1997 the Metal Group received its share of the surplus in the Westeel salaried pension plan. The proceeds received were $24.2 million resulting in a gain of $15.3 million ($9.1 million after tax).

In 1997 the Vinyl Group suspended operations at its Mississauga, Ontario vinyl siding plant to adjust the Vinyl Group's overall production capacity to North American market demands. A charge to earnings of $6.5 million ($3.9 million after tax) was recorded in respect of severances, fixed asset write downs and equipment relocation. During 1996 the Vinyl Group recorded an $11.0 million charge to earnings ($7.9 million after tax) in respect of a reorganization to consolidate a number of its fencing and siding operations.

During 1997 the Corporation completed the liquidation of the remaining assets of Celfort Construction Materials Inc. ("Celfort"), which is 80% owned by the Corporation, resulting in a gain for Jannock of $0.9 million ($0.7 million after tax). On August 30, 1996, the Corporation sold the business and assets of the Celfortec division of Celfort for net proceeds of $29.4 million of which $26.0 million was received in January 1997, resulting in a net gain to Jannock of $13.6 million ($10.5 million after tax).

Unusual items included in income are as follows:

(millions of Canadian dollars)	**1997**	1996
Net gain on pension surplus	**15.3**	-
Net gain on sale of Celfort assets	**0.9**	13.6
Vinyl Group restructuring charges	**(6.5)**	(11.0)
	9.7	2.6

8. INCOME TAXES

The variations from the basic statutory income taxes and the Corporation's effective income tax provisions are as follows:

(millions of Canadian dollars)	**1997**	1996
Income tax provision at statutory rates	**27.3**	27.5
Permanent differences	**(0.6)**	(1.7)
Benefit of prior losses not previously recorded	**(0.9)**	(1.2)
Effect of lower foreign tax rates	**(3.9)**	(4.2)
Large corporation tax	**0.3**	0.3
	22.2	20.7

The current and deferred tax expenses for the year were $11.2 million and $11.0 million respectively (1996 – $23.0 million expense and $2.3 million recovery respectively).

9. PENSION COSTS AND OBLIGATIONS

The actuarial present value of accrued pension benefits attributed to services rendered prior to December 31, 1997 is estimated to be $31.0 million (1996 – $49.1 million).

The estimated market-related value of pension fund assets available to meet these obligations as at December 31, 1997 was $29.4 million (1996 – $87.4 million).

10. COMMITMENTS AND CONTINGENCIES

(a) Operating lease commitments are as follows:

(millions of Canadian dollars)

1998	1999	2000	2001	2002
11.4	10.2	8.5	6.7	5.0

(b) Capital expenditures committed at December 31, 1997 amounted to $22.7 million.

(c) During 1992, a former 50% shareholder of Lantic Sugar Limited (Lantic Sugar) filed an action demanding payment from the Corporation of $15.4 million together with interest and expenses of $2.2 million, in respect of the sale by the Corporation to The British Columbia Sugar Refining Company, Limited (BC Sugar) of the initial 50% interest in Lantic Sugar. The former shareholder has also stated that it has a right to claim 90% of any payment made by BC Sugar to the Corporation pursuant to an indemnification provision in the agreement of purchase and sale between the two parties as part of the consideration for the shares of Lantic Sugar. The Corporation, under an indemnification provision in the purchase agreement between the Corporation and BC Sugar, is indemnified by BC Sugar for the amount, if any, of any claim, expense, payment, loss, damage or liability suffered or incurred by the Corporation in excess of $250,000.

Management is of the opinion that the claim of the former shareholder is without merit, however, should the former shareholder be successful in all or any part of the claim, management is of the opinion the indemnification from BC Sugar would protect the Corporation from damages in excess of $250,000.

11. SUBSEQUENT EVENT

On January 30, 1998, the Corporation acquired Big 'O' Inc. for $24.0 million. The purchase price was paid by a combination of $22.1 million of cash and the issuance from treasury of 102,121 common shares of the Corporation, valued at $1.9 million. Big 'O' Inc. is a Canadian producer of high-density polyethylene corrugated plastic pipe for agricultural and infrastructure markets.

12. SEGMENTED DATA

The Corporation operates in Canada and the United States in building products industries. The major business segments are the manufacture of vinyl, metal and brick products. The Corporate and Other segment includes a division which is developing property for sale.

Operations and identifiable assets by industry segment and geographic region are presented below.

(a) Industry Segments:

	Vinyl		Metal		Brick		Corporate and Other		Total	
(millions of Canadian dollars)	**1997**	1996	**1997**	1996	**1997**	1996	**1997**	1996	**1997**	1996
Sales	**355.6**	356.7	**530.5**	474.1	**268.2**	235.9	**-**	17.6	**1,154.3**	1,084.3
Operating earnings (loss) before the following	**8.3**	29.9	**30.4**	30.3	**39.3**	27.7	**(9.2)**	(10.1)	**68.8**	77.8
Net (losses) gains from property development	**-**	-	**-**	-	**-**	-	**(0.3)**	1.5	**(0.3)**	1.5
Unusual items	**(6.5)**	(11.0)	**15.3**	-	**-**	-	**0.9**	13.6	**9.7**	2.6
	1.8	18.9	**45.7**	30.3	**39.3**	27.7	**(8.6)**	5.0	**78.2**	81.9
Identifiable assets	**229.3**	209.7	**380.2**	195.1	**186.6**	173.0	**63.4**	81.2	**859.5**	659.0
Discontinued operation assets	**-**	-	**-**	-	**-**	-	**-**	74.3	**-**	74.3
Total assets									**859.5**	733.3
Acquisitions	**35.8**	23.9	**139.7**	-	**-**	11.0	**-**	-	**175.5**	34.9
Capital expenditures	**15.2**	8.1	**17.0**	5.0	**20.5**	9.7	**0.5**	0.4	**53.2**	23.2
Depreciation	**13.5**	13.5	**6.2**	5.6	**13.4**	13.0	**0.2**	1.6	**33.3**	33.7
Amortization	**4.4**	4.1	**1.2**	0.4	**0.7**	2.6	**0.3**	0.4	**6.6**	7.5

(b) Geographic Segments:

	Canada		United States		Total	
(millions of Canadian dollars)	**1997**	1996	**1997**	1996	**1997**	1996
Sales	**484.1**	463.2	**670.2**	621.1	**1,154.3**	1,084.3
Operating earnings before the following	**35.0**	27.0	**43.0**	60.0	**78.0**	87.0
Net (losses) gains from property development	**(0.3)**	1.5	**-**	-	**(0.3)**	1.5
Unusual items	**9.7**	6.8	**-**	(4.2)	**9.7**	2.6
	44.4	35.3	**43.0**	55.8	**87.4**	91.1
Corporate expenses					**(9.2)**	(9.2)
Operating earnings					**78.2**	81.9
Identifiable assets	**260.1**	277.6	**580.5**	367.5	**840.6**	645.1
Discontinued operation assets	**-**	74.3	**-**	-	**-**	74.3
Corporate assets					**18.9**	13.9
Total assets					**859.5**	733.3
Acquisitions	**7.6**	-	**167.9**	34.9	**175.5**	34.9
Capital expenditures	**16.1**	7.8	**37.1**	15.4	**53.2**	23.2
Depreciation	**9.7**	11.3	**23.6**	22.4	**33.3**	33.7
Amortization	**1.0**	2.6	**5.6**	4.9	**6.6**	7.5

Management's Report to the Shareholders

Preparation of the consolidated financial statements accompanying this annual report and the presentation of all other information in the report is the responsibility of management. The financial statements have been prepared in accordance with generally accepted accounting principles in Canada and reflect management's best estimates and judgments. All other financial information in the report is consistent with that contained in the financial statements.

The Board of Directors, through its Audit Committee, oversees management in carrying out its responsibilities for financial reporting and systems of internal control. The Audit Committee, which is composed of non-employee directors, meets regularly with financial management and external auditors to satisfy itself as to the reliability and integrity of financial information and the safeguarding of assets. The Audit Committee reports its findings to the Board of Directors for consideration in approving the annual financial statements to be issued to shareholders.

B.W. Jamieson

B.W. JAMIESON
Vice President, Finance and Chief Financial Officer
February 13, 1998

Auditors' Report to the Shareholders

We have audited the consolidated balance sheets of Jannock Limited as at December 31, 1997 and 1996 and the consolidated statements of earnings, retained earnings and changes in financial position for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1997 and 1996 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles in Canada.

Coopers & Lybrand

COOPERS & LYBRAND, CHARTERED ACCOUNTANTS
Toronto, Ontario, February 13, 1998

Ten-Year Financial Review

Unaudited

	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988
OPERATING RESULTS (millions of Canadian dollars)										
Sales	**1,154.3**	1,084.3	998.3	803.7	571.6	493.7	469.3	519.6	503.0	448.7
Operating earnings (loss)	**78.2**	81.9	41.6	45.0	26.3	5.8	(5.2)	35.9	68.8	74.8
Earnings (loss) before extraordinary items and discontinued operations	**41.9**	44.1	12.9	20.1	5.1	39.4	(12.2)	20.8	45.8	47.8
Net earnings (loss)	**44.5**	50.7	19.7	27.7	0.3	30.3	(32.4)	13.1	46.9	48.4
Dividends paid on Common shares	**15.1**	15.1	24.2	24.2	21.8	21.8	21.8	21.7	21.7	20.8
Dividends paid on Preference shares	**1.5**	1.5	1.5	1.5	1.5	1.6	1.6	1.6	1.6	2.1
Capital expenditures	**53.2**	23.2	27.2	24.4	19.5	16.3	13.5	34.9	16.1	27.6
Depreciation	**33.3**	33.7	33.9	28.4	24.3	22.3	21.6	21.4	18.4	18.1
FINANCIAL POSITION (millions of Canadian dollars)										
Working capital	**166.3**	190.7	165.4	151.6	135.6	103.8	8.1	86.4	97.7	102.0
Fixed assets - net	**258.1**	210.5	217.0	219.4	212.4	201.9	199.9	203.5	190.2	166.1
Total assets	**859.5**	733.3	699.5	657.5	551.9	519.5	546.2	725.3	580.2	511.6
Long-term debt	**264.8**	163.4	174.8	130.3	67.0	57.9	38.1	48.6	28.0	21.6
Common shareholders' equity	**359.8**	324.8	287.4	297.9	287.4	249.6	235.1	290.4	300.6	278.4
Preference shareholders' equity	**18.5**	18.5	18.7	18.9	19.1	19.2	19.6	19.9	20.4	20.9
FINANCIAL RATIOS										
Working capital	**1.9:1**	1.9:1	1.8:1	1.8:1	1.8:1	1.6:1	1.0:1	1.3:1	1.5:1	1.6:1
Return on Common shareholders' equity (%)	**12.8**	16.4	6.3	9.1	(0.5)	12.1	(12.8)	3.8	15.6	17.2
Net debt to total capitalization (%)	**40**	32	38	32	19	23	39	46	22	13
SHARE DATA (dollars per share, except where noted)										
Earnings (loss) before extraordinary items and discontinued operations	**1.35**	1.43	0.38	0.62	0.13	1.43	(0.52)	0.72	1.67	1.72
Earnings (loss) after extraordinary items and discontinued operations	**1.44**	1.65	0.61	0.88	(0.05)	1.08	(1.28)	0.43	1.71	1.74
Dividend paid per Common share	**0.50**	0.50	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.74
Equity	**12.07**	10.92	9.75	10.10	9.79	9.52	9.00	11.02	11.39	10.53
Shares outstanding										
Common (000s)	**30,292**	30,288	30,278	30,258	30,258	27,258	27,258	27,158	27,171	27,014
Second Preference (000s)	**1,235**	1,235	1,246	1,260	1,270	1,277	1,306	1,324	1,360	1,394
Fourth Preference (000s)	**174**	174	234	234	184	219				
Number of Common shareholders (000s)	**1,806**	2,025	2,228	2,313	2,471	2,679	2,863	3,105	3,387	3,613
Price Range										
Common shares										
High	**23.30**	19.40	17.38	22.88	20.00	18.50	17.88	19.75	22.00	23.50
Low	**16.00**	11.50	12.75	14.13	13.63	12.13	12.50	11.38	17.38	15.25
Second Preference shares										
High	**18.00**	17.90	17.25	17.00	16.50	15.00	13.75	13.75	14.25	14.75
Low	**16.90**	16.10	15.00	14.88	13.75	13.00	10.88	10.25	13.00	12.88

Joint venture interests which had been sold prior to 1994, primarily Lantic Sugar, have been accounted for on an equity basis.

Quarterly Data

Unaudited

SALES AND EARNINGS (millions of Canadian dollars, except per share data)

	Q1	Q2	Q3	Q4	1997 Total	Q1	Q2	Q3	Q4	1996 Total
Sales	209.0	317.9	347.5	279.9	1,154.3	183.0	300.0	333.9	267.4	1,084.3
Operating earnings	(0.7)	30.3	23.1	25.5	78.2	(5.9)	30.6	38.8	18.4	81.9
Net earnings	(3.1)	20.3	12.5	14.8	44.5	(7.1)	20.2	25.2	12.4	50.7
Earnings per share	(0.12)	0.67	0.41	0.48	1.44	(0.25)	0.66	0.83	0.41	1.65

SEGMENTED (millions of Canadian dollars, except where noted)

SALES	Q1	Q2	Q3	Q4	1997 Total	Q1	Q2	Q3	Q4	1996 Total
Vinyl Group	73.1	102.0	106.0	74.5	355.6	69.3	101.6	107.0	78.8	356.7
Metal Group	86.8	138.7	166.1	138.9	530.5	70.8	120.9	152.5	129.9	474.1
Brick Group	49.1	77.2	75.4	66.5	268.2	39.2	70.4	67.6	58.7	235.9
Insulation	-	-	-	-	-	3.7	7.1	6.8	-	17.6
Consolidated	209.0	317.9	347.5	279.9	1,154.3	183.0	300.0	333.9	267.4	1,084.3

OPERATING EARNINGS	Q1	Q2	Q3	Q4	1997 Total	Q1	Q2	Q3	Q4	1996 Total
Vinyl Group	1.2	6.2	2.4	(1.5)	8.3	2.6	12.5	11.7	3.1	29.9
Metal Group	(1.5)	11.2	14.3	6.4	30.4	(2.7)	8.5	15.8	8.7	30.3
Brick Group	1.6	14.5	12.8	10.4	39.3	(3.3)	11.5	11.8	7.7	27.7
Insulation	-	-	-	-	-	(1.2)	-	0.3	-	(0.9)
Corporate expenses	(1.9)	(1.7)	(2.0)	(3.6)	(9.2)	(1.7)	(2.3)	(2.3)	(2.9)	(9.2)
	(0.6)	30.2	27.5	11.7	68.8	(6.3)	30.2	37.3	16.6	77.8
Property development	(0.1)	0.1	(0.1)	(0.2)	(0.3)	0.4	0.4	0.4	0.3	1.5
Unusual items	-	-	(4.3)	14.0	9.7	-	-	1.1	1.5	2.6
Consolidated	(0.7)	30.3	23.1	25.5	78.2	(5.9)	30.6	38.8	18.4	81.9

OPERATING MARGINS (%)*	Q1	Q2	Q3	Q4	1997 Total	Q1	Q2	Q3	Q4	1996 Total
Vinyl Group	1.6	6.1	2.3	(2.0)	2.3	3.8	12.3	10.9	3.9	8.4
Metal Group	(1.7)	8.1	8.6	4.6	5.7	(3.8)	7.0	10.3	6.7	6.4
Brick Group	3.3	18.8	17.0	15.6	14.7	(8.4)	16.3	17.5	13.1	11.7
Consolidated	(0.3)	9.5	7.9	4.2	6.0	(3.4)	10.0	11.2	6.2	7.2

* before Unusual items and Property development

Corporate Information

BOARD OF DIRECTORS

R. JAY ATKINSON [1]
Mississauga, Ontario
President and
Chief Executive Officer
Jannock Limited
Director since 1991

ROY F. BENNETT [1,4]
Toronto, Ontario
Chairman of the Board
Jannock Limited
Chairman
Bennecon Limited
Director since 1982

J. LORNE BRAITHWAITE [1,3]
Toronto, Ontario
President and
Chief Executive Officer
Cambridge Shopping
Centres Limited
Director since 1986

IAN C.B. CURRIE Q.C. [2]
Toronto, Ontario
Counsel
Fraser & Beatty
Director since 1997

MICHAEL W. GUNN [3,4]
Irving, Texas
Senior Vice President,
Marketing
American Airlines, Inc.
Director since 1995

JAMES F. HANKINSON [2]
Toronto, Ontario
President and
Chief Executive Officer
New Brunswick Power
Corporation
Director since 1996

VICTOR C. HEPBURN
Toronto, Ontario
Executive Vice President
Jannock Limited
Director since 1991

ROBERT W. KORTHALS [1,2,4]
Toronto, Ontario
Company Director
Director since 1987

WILLIAM R.C. MACDONALD [3]
Oakville, Ontario
President
Uniplast Industries Inc.
Director since 1997

EILEEN A. MERCIER [2]
Toronto, Ontario
President
Finvoy Management Inc.
Director since 1996

CHARLES E. SHULTZ [3,4]
Calgary, Alberta
Chairman and
Chief Executive Officer
Dauntless Energy Inc.
Director since 1995

1 Member of the Executive Committee
2 Member of the Audit Committee
3 Member of the Human Resources and Compensation Committee
4 Member of the Nominating and Corporate Governance Committee

OFFICERS OF THE COMPANY

ROY F. BENNETT
Chairman of the Board

R. JAY ATKINSON
President and
Chief Executive Officer

VICTOR C. HEPBURN
Executive Vice President

BRIAN W. JAMIESON
Vice President, Finance and
Chief Financial Officer

DALE H. KERRY
Vice President,
Human Resources

WILLIAM R. COTTICK
Vice President, General
Counsel and Secretary

ROBERT H.R. DRYBURGH
Vice President

NORMAN W. JOHNSTON
Vice President

KAREN A. MURPHY
Assistant Secretary

BUSINESS GROUPS

VINYL GROUP

N.W. JOHNSTON
President

G.A. ACINAPURA
Executive Vice President
Fabricated Products

R.G. ROWLAND
Vice President
Process Technology

D.I. DOUGLASS
Vice President and Chief
Financial Officer

J.R. DAVIS
President
Bird Vinyl Products

R.A. KELLER, JR.
President
Heartland Building
Products

G.R. THOMSON
President
Kensington Windows

V.W. WEBER
President
Master Shield
Building Products

P.G. OREBAUGH
President
Outdoor Technologies

H. KAYE
President
Survivor Technologies

METAL GROUP

JENISYS ENGINEERED PRODUCTS

R.H.R. DRYBURGH
President

R.J. SLATTERY
Vice President, Finance

D.O. CARTER
Vice President

J.G. WATSON
President
Armtec Division

F.G. KIME
Chairman
Big 'O' Inc.

C.M. PHILLIPS
President
Big 'O' Inc.

S. STADNYCKYJ
Vice-President and
General Manager
P. G. Bell Division

J.A. PAGE
President
Vicwest Division

J.R. SKULL
President
Westeel Division

G.F. KING
President and
Chief Executive Officer
Associated Building
Systems, Inc.

BRICK GROUP

V.C. HEPBURN
President

C.J. MCEWEN
Vice President
Administration

D.M. FASKEN
Vice President
Jannock Properties

S.R. POXON
President
Canada Brick Division
St. Laurent Brick Division

W.R. EPPS
President and
General Manager
Boren Brick

S.B. BEUCHLER
President and
General Manager
Richtex

C. BARISICH
President and
General Manager
U.S. Brick,
Michigan Division

W.F. HARRISON, JR.
President and
General Manager
U.S. Brick, Sipple Division

R.W. ROHLFS
President and
General Manager
U.S. Brick, Texas Division

W.E. BUSH
President and
General Manager
Real Brick Products, Inc.

Corporate Governance

*Jannock's approach to corporate governance is as follows
(for complete details, please refer to Jannock's Management Information Circular):*

THE BOARD OF DIRECTORS

Jannock's Board of Directors supervises the management of the business and affairs of the Company. Jannock's management is responsible for the day-to-day operations of the business and affairs of the Company. The Board or a Committee of the Board is responsible for: (i) the adoption of a strategic planning process; (ii) the identification of the principal risks borne by the Company and the implementation of the appropriate systems to manage these risks; (iii) succession planning and the monitoring of senior management; (iv) a communications policy for the Company; and (v) the integrity of the internal control and management information systems. Management is required to provide the Directors with information sufficient for them to form independent and informed opinions on the business matters presented to them for consideration.

Of the 11 Directors presently acting, 8 are unrelated Directors and 3 are related Directors. Messrs. Atkinson and Hepburn are related Directors as a consequence of their employment as executive officers of the Company. Mr. Currie is Counsel to Fraser & Beatty, which provides legal services to the Company from time to time, and is for that reason considered a related Director. Jannock does not have a shareholder with an ability to exercise a majority of the votes for the election of Directors. There were six regularly scheduled meetings of the Board during the financial year ended December 31, 1997.

The Board has an Executive Committee, an Audit Committee, a Human Resources and Compensation Committee, and a Nominating and Corporate Governance Committee:

EXECUTIVE COMMITTEE

The Executive Committee has the authority to act on behalf of the Board, except as provided in the Business Corporations Act (Ontario). The Committee is composed of one related and three unrelated Directors who met two times in 1997.

AUDIT COMMITTEE

The Audit Committee reviews the consolidated financial statements and other financial reports issued by the Company. The Audit Committee also reviews: the audit plans and reports; the internal controls; and the principal risks and systems to manage them. The Audit Committee is composed of one related outside Director and three unrelated Directors and met four times in 1997.

HUMAN RESOURCES AND COMPENSATION COMMITTEE

This Committee sets and reviews executive remuneration. With the advice and assistance of the chief executive officer it also reviews and recommends senior management succession plans. The Committee is composed of four unrelated Directors and met four times during 1997.

NOMINATING AND CORPORATE GOVERNANCE COMMITTEE

This Committee reviews the effectiveness of the Corporation's corporate governance practices and recommends appropriate changes where necessary. It also recommends candidates for election to the Board and insures the independence of the Board of Directors from the management of the Corporation. The Committee has four unrelated Directors and met two times during 1997.

Jannock's corporate governance practices comply with the guidelines of The Toronto Stock Exchange and The Montreal Exchange.

Investor Information

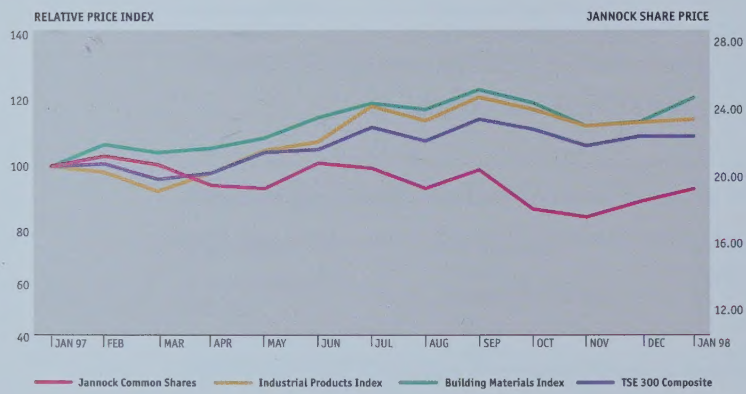
SHARE TRADING INFORMATION

Per the Toronto Stock Exchange

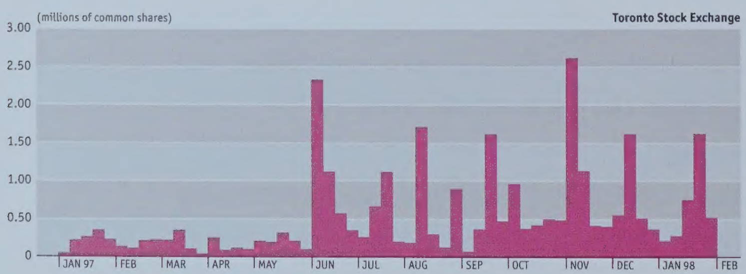
COMMON SHARES

Trading Statistics	High	Low	Close	Volume (thousands)
1997				
1st Quarter	**23.30**	**19.10**	**21.00**	**2,510**
2nd Quarter	**22.85**	**18.50**	**21.10**	**3,829**
3rd Quarter	**22.45**	**18.55**	**20.65**	**7,604**
4th Quarter	**20.80**	**16.00**	**18.50**	**9,882**
1996				
1st Quarter	14.13	11.50	12.13	2,366
2nd Quarter	14.70	12.13	13.05	959
3rd Quarter	15.50	12.85	15.50	906
4th Quarter	19.40	15.40	19.40	2,181

1997 SHARE PRICE PERFORMANCE



SHARE TRADING VOLUMES



DIVIDENDS

In 1997, Jannock paid dividends of $0.50 per share to holders of common shares, and $1.20 per share to holders of second preference shares. Both dividend distributions were made in four equal quarterly installments.

RELATED MATTERS

In March 1998, Jannock announced it had entered into an agreement to raise net proceeds of $80.1 million of equity financing, through the sale of 4.1 million treasury shares.

TRANSFER AGENT AND REGISTRAR

Montreal Trust Company
Montreal, Toronto and Vancouver

Shareholders wishing information concerning share ownership or dividends, please write or call our transfer agent:

Montreal Trust Company
Shareholder Services
151 Front Street West, 8th Floor
Toronto, Ontario M5J 2N1
(416) 981-9500

CO-TRANSFER AGENT

The Bank of Nova Scotia
Trust Company, New York

STOCK LISTINGS AND SYMBOLS

The Toronto Stock Exchange
The Montreal Exchange

- Common Shares: JN
- $1.20 Second Preference Shares: JN.PR.C

NASDAQ

- Common Shares: JANNF

INVESTOR CONTACT

Institutional investors, brokers, security analysts and others desiring financial information about Jannock should contact:

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Vice President, Finance and
Chief Financial Officer
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Fax: (416) 364-5911
E-Mail: bjamie@jannock.com

OFFICES

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Fax: (412) 928-5745

METAL GROUP
Jenisys Engineered Products
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West
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Fax: (905) 825-0536

BRICK GROUP
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Streetsville, Ontario L5M 2C3
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EN FRANÇAIS
La version française de ce rapport peut être obtenue sur demande écrite au sécrétaire de la société.

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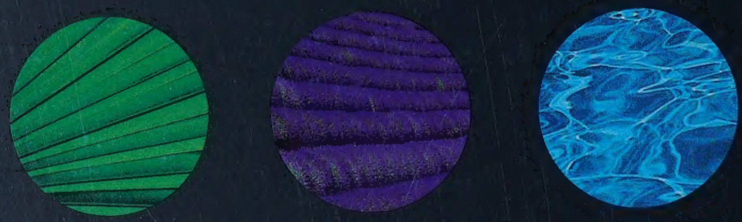
ANNUAL AND SPECIAL MEETING

Jannock Limited's Annual and Special Meeting of Shareholders will be held on Wednesday, April 29, 1998 at 11 a.m. on the Trading Floor of the Design Exchange, 234 Bay Street, Toronto-Dominion Centre, Toronto, Canada. All shareholders are encouraged to attend.



A BETTER PLACE TO LIVE

Making the world a better place in which to live. That's what building products do – help create a healthier, safer and more comfortable environment in which people can live and work.

But the natural environment deserves even more care and respect. For this reason, Jannock not only has a policy of compliance with all applicable regulatory standards, but it also encourages each of its facilities to be constantly aware of its environmental responsibility.